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Commonwealth of Massachusetts

Department of Revenue

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# 2003 Massachusetts Fiduciary Income Tax **Form 2**

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All Schedules and Instructions

# Completing Your Form 2

Please read this page carefully as it explains the correct method of completing your return.

**Form 2 Fiduciary Income Tax Return 2003**

Calendar year filers enter 01-01-2003 and 12-31-2003 below. Fiscal year filers enter appropriate dates.  
 Tax year beginning (month-day-year) ▶ 01 01 2003 Tax year ending (month-day-year) ▶ 12 31 2003

NAME OF FIDUCIARY: MICHAEL MURRAY  
 TITLE OF FIDUCIARY: EXECUTOR  
 NAME OF ENTITY: ESTATE OF JANE DOE  
 CITY/TOWN/POST OFFICE: EVERYTOWN MA 02171  
 STATE: MA ZIP + 4: 02171  
 Date entity created: 01 01 2003

Company account number: [ ] Date entity created: 01 01 2003

Ovals must be filled in completely. Example:  Initial return

Fill in applicable ovals:  Initial return  Final return  Consolidated Form 2G  Nonresident beneficiaries listed on return  Guardianship/conservatorship  Decedent's estate  Trustee in bankruptcy  Qualified funeral trust  Nongrantor-type trust (grantor-type trust use Form 2G)  Address change  Amended return  Other

▼ If showing a loss, mark an X in box at left

1	Wages, salaries, tips and other employee compensation	▶ 1							
2	Taxable pensions and annuities	▶ 2							
3	Business/profession or farm income or loss. See instructions	▶ 3							
4	Rental, royalty and REMIC income or loss (enclose Massachusetts Schedule E)	▶ 4	X					1	0
5	Total interest from Massachusetts banks	▶ 5						1	0
6	Other 5.3% income (winnings, lump-sum distributions, etc.) Enclose statement	▶ 6							
7	Total 5.3% income. Add lines 1 through 6	▶ 7						2	0
8	Modified gross 5.3% income. If line 8 is different from line 7, enclose explanation	▶ 8							
9	Beneficiary's claim of No Tax Status exemption, from Form 20 (enclose Form 20)	▶ 9							
10	Beneficiary's claim for exemptions applicable to fiduciary income from Form 20A (enclose Form 20A)	▶ 10							
11	Deductions allowed decedents. See instructions	▶ 11							
12	Total exemptions and deductions. Add lines 9 through 11	▶ 12							
13	Net taxable 5.3% income. Subtract line 12 from line 8. Not less than "0"	▶ 13						2	0

**SIGN HERE. Under penalties of perjury, I declare that to the best of my knowledge and belief this return and enclosures are true, correct and complete.**

Signature of fiduciary: Michael Murray Date: 3 / 5 / 04  
 Title: Executor  
 Print paid preparer's name: [ ] Preparer's SSN or PTIN: [ ]  
 Paid preparer's phone: [ ] Paid preparer's EIN: [ ]  
 Paid preparer's signature: [ ] Date: [ ]  Fill in if self-employed

Mail to: Massachusetts Department of Revenue, PO Box 7018, Boston, MA 02204.

## Tax Year

Enter the beginning and ending dates of the entity's tax year. Calendar year filers, enter 01-01-2003 and 12-31-2003. Fiscal filers, enter the appropriate dates.

## Federal Identification Number

Enter the Federal Identification number of the entity's filing the return in the space provided.

## Name and Address

Print in **black ink**. Enter the full name and address of the entity as they appear on the federal return.

## Filling in the Ovals

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

## Filling in Dollar Amounts/Reporting Losses

When entering amounts on Form 2 and schedules, print your numbers in **black ink** as shown below. Be sure there is only one number per box. Numbers must be written completely within the boxes and should not touch them.

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

▼ If showing a loss, mark over X in box at left

X 1 2 3 4 5 6 7 8

## Mailing Checks and Enclosing Forms

If you are making a payment, complete Form 2-PV, Payment Voucher, found on the bottom of this page. Staple your check or money order to the front of Form 2-PV and enclose with your return. Do not staple supporting schedules to the Form 2 as this will delay the processing of your return.

DETACH HERE

# Form 2-PV Massachusetts Fiduciary Income Tax Payment Voucher

# 2003

Name of fiduciary	Title	U.S. taxpayer number
Name of entity	Payment for the year ending: MONTH / DAY / YEAR	
Mailing address of fiduciary	Amount enclosed \$	
City/Town	State	Zip



Mail to: Massachusetts Department of Revenue, PO Box 7018, Boston MA 02204

Make check payable to: Commonwealth of Massachusetts. Write your U.S. taxpayer number on your check or money order. Be sure to staple check to the front of Form 2-PV and enclose Form 2-PV with your return.

DETACH HERE

## Definitions

1. A resident fiduciary:

▶ is a resident of or has its usual place of business in Massachusetts; or

▶ is the executor or administrator of an estate of a deceased person who was a resident at the time of death; **and**

acts under an instrument created by the person who:

▶ at the time of creation of the instrument was a resident of Massachusetts; or

▶ is a resident at any time during the year in which income is received by the fiduciary under the instrument; or

▶ died as a resident of Massachusetts.

2. Massachusetts source income is income derived from or effectively connected with:

▶ any trade or business, including any employment carried on by the taxpayer in the Commonwealth; or

▶ the participation in any lottery or wagering transaction within the Commonwealth; or

▶ the ownership of any interest in real or tangible personal property located in the Commonwealth.

3. Massachusetts resident beneficiaries are:

▶ **Beneficiaries who reside in Massachusetts.**

▶ **Unborn persons:** Where income of a trust subject to the taxing jurisdiction of Massachusetts is being accumulated for persons unborn, such income is taxable to the trust.

**Example:** By the terms of a trust subject to the taxing jurisdiction of Massachusetts, income is payable to Jody Taxpayer, a resident of New Hampshire for life, with remainder to Jody's children. During a year in which Jody has no children, the trust realizes gains on the sale of securities. Such gains are taxable to the trust in their entirety.

c. **Unascertained persons:** Where income of a trust subject to the taxing jurisdiction of Massachusetts is being accumulated for unascertained persons, such income is taxable to the trust. The term "unascertained persons" refers to a class of persons who cannot be identified with certainty until the happening of a special event. The term also applies to those of a class who fulfill some special qualification.

**Example:** By the terms of a trust subject to the taxing jurisdiction of Massachusetts, income is payable to A, B and C, in equal shares, with remainder in equal shares to each as he/she attains the age of 30. The share of any who die under age 30 is to be added to those of the survivors. Here it cannot be ascertained who will take the remainder until all of

A, B and C have either attained 30 or died before attaining that age. Accordingly, gains realized by the trust will be deemed to be income accumulated for the benefit of unascertained persons and taxable in full to the trust.

▶ **Persons with uncertain interests:** A remainder interest in a trust which is vested and not subject to being divested by the happening of any contingency expressly mentioned in the trust instrument is not classified as an uncertain interest. Any other type of future interest such as a contingent remainder or a vested remainder subject to being cut off upon the happening of a contingency is an uncertain interest. Where income of a trust subject to the taxing jurisdiction of Massachusetts is being accumulated for a person or persons with uncertain interests, such income is taxable to the trust. For more information, see DOR Directive 94-4.

## Getting Started

**Step 1:** Gather all your records together, including your Forms W-2 (Wages), W-2G (Winnings), and any 1099 forms. Use this information to complete your U.S. return first. The information on your U.S. return will help you complete your Massachusetts return.

**Step 2:** Remove the forms from this booklet. Please keep the extra copy for your records; you may need information from it when you complete your return next year.

When completing your return, simply proceed line by line, reading the instructions for each line before you enter any amounts. Then, copy all information carefully onto the form you intend to file. Be sure to check your return to make sure it is correct.

**Step 3:** After you have checked your return, be sure to sign it. Form 2 is not considered a valid return unless it is signed. Original signatures are required or the return will not be accepted. If a payment is due, be sure to attach your payment as indicated.

## Major Tax Changes for 2003

### Federal "Bonus" Depreciation Law — IRC sec. 168(k)

The Massachusetts Legislature amended Massachusetts law in 2002 to decouple it from IRC sec. 168(k). Massachusetts does not adopt the special depreciation allowance for certain property placed in service during the period beginning September 11, 2001 and ending December 31, 2004. The federal changes made in 2003 to IRC 168(k) (Pub. L. 108-27), including extending the time period for acquisition of qualified property, increasing the depreciation allowance to 50% of the adjusted basis of the qualified property, and increasing the limitations on depreciation for luxury vehicles, are not, therefore, adopted in Massachusetts.

## Massachusetts Adopts the Current Internal Revenue Code for Certain Federal Tax Provisions

▶ **Section 179 Expensing.** The federal jobs and growth tax package (Pub. L. 108-27) signed on May 28, 2003, increased the federal small business expensing allowance. Massachusetts follows current rules under IRC sec. 179 for expensing depreciable assets. The amount of capital investment that a small business can expense under IRC sec. 179 has been increased to \$100,000 from \$25,000 for tax years 2003 through 2005. The phase-out threshold governing the amount of expensing allowed has increased to \$400,000 for this period. See TIR 03-25 for more information.

Other areas in which Massachusetts applies the current Internal Revenue Code consist of:

▶ treatment of contributions and distributions of qualified retirement plans, sec. 401(k) plans, sec. 403(b) plans, sec. 457 plans, SEPs (simplified employee pensions) and SIMPLE IRAs;

▶ self-employed health insurance deduction under sec. 162(l);

▶ deduction of employer contributions to qualified plans and other retirement plans under IRC sec. 404 (unless an exception applies);

▶ exclusion of distributions from qualified tuition plans under IRC sec. 529;

▶ exclusions of certain income derived from Roth IRAs as defined in IRC sec. 408A and Education IRAs as defined in IRC sec. 530;

▶ treatment of a rollover from a traditional IRA to a Roth IRA;

▶ exclusion of gain from the sale of a principal residence provided by IRC sec. 121;

▶ trade or business deductions under IRC sec. 62(a)(1) unless an exception applies; and

▶ the limitations provided by IRC secs. 274(m) and (n) for the deduction of certain travel and meals and entertainment expenses.

For the above items, Massachusetts automatically adopts all changes to the Internal Revenue Code, including changes made after January 1, 1998. For more information, see TIRs 98-8, 98-15 and 02-18.

## Privacy Act Notice

Under the authority of 42 U.S.C. sec. 405(c)(2)(C)(i), and M.G.L. c. 62C, sec. 5, the Department of Revenue has the right to require an individual to furnish his or her Social Security number on a state tax return. This information is mandatory. The Department of Revenue uses Social Security numbers for taxpayer identification to assist in processing and keeping track of returns and in determining and collecting the proper amount of tax due. Under

M.G.L. c. 62C, sec. 40, the taxpayer's identifying number is required to process a refund of overpaid taxes. Although tax return information is generally confidential pursuant to M.G.L. c. 62C, sec. 21, the Department of Revenue may disclose return information to other taxing authorities and those entities specified in M.G.L. c. 62C, secs. 21, 22 or 23, and as otherwise authorized by law.

An incomplete or incorrect return can delay processing of your return. Below are tips to help us process your return as quickly as possible.

**Incorrect computation.** Many returns must be corrected by DOR each year due to simple errors in computation. Before mailing your return, double-check your arithmetic to make sure the computations are correct.

**Filing status.** Be sure to select the correct oval for filing status.

**Missing withholding statement(s).** Make certain the state copy of all Forms W-2 (Wages), W-2G (Winnings), and 1099-G or 1099-R that show Massachusetts income tax withheld are enclosed. These forms are frequently missing and must be obtained later from the taxpayer.

**Missing schedules.** Make sure you have enclosed all required schedules supporting Form 2 information — Schedules B, D, E, F, H and Forms 2G, 20 and 20A.

**Missing signature.** Thousands of unsigned returns are received by DOR every year. These returns must be returned to the taxpayers for signatures.

Fiduciary income is subject to similar deductions, exemptions and tax rates as individual income taxed in Massachusetts. Massachusetts taxes the fiduciary entity, rather than the beneficiary. Actual tax liability is determined by the domicile of the beneficiary and the nature of the income. Income in the hands of a fiduciary retains its character and, as such, receipts which would not constitute income to an individual, such as interest on U.S. obligations, is not taxable to a fiduciary.

Trusts are classified as either grantor-type or nongrantor-type. When a grantor or another person is treated as the owner of a trust according to Sections 671 through 678 of the U.S. Internal Revenue Code (IRC), then the trust is not recognized as a separate taxable entity for income tax purposes, and the trustee files Form 2G, an information return. The grantor or other owner is required to report the income, deductions and credits of a grantor-type trust on his/her Massachusetts individual income tax return. Nongrantor-type trusts are all other types of trusts.

**Massachusetts taxes nongrantor-type trusts and estates differently than the U.S. government. The major distinctions are:**

- ▶ there is no income distribution deduction. All income and capital gains, if subject to taxation, are taxed on Form 2.
- ▶ there is no shifting of tax liability by payments of income or capital gain. The adjusted gross income can be modified by subtracting any actual payments made during the taxable year of non-Massachusetts source income to a nonresident. Otherwise, there is no distribution deduction, and U.S. Schedule K-1 does not apply.
- ▶ prior consent must be requested in order to file a return on a fiscal year basis. An application can be made on Form 13. Fiduciaries failing to obtain prior permission to file on a fiscal year basis can be placed on a calendar year basis.
- ▶ there is no distributable net income to calculate any "throwback rules."
- ▶ taxes, legal, accounting and tax preparation fees, as well as probate administration expenses, are not deductible.
- ▶ there is no personal exemption for the fiduciary.

### Who Must File a Massachusetts Fiduciary Return?

Every executor, administrator, trustee, guardian, conservator, trustee in a noncorporate bankruptcy or receiver of a trust or estate that received income which is taxable under Ch. 62 in excess of \$100 and that is subject to Massachusetts jurisdiction must file a Form 2.

### What Other Forms Must Be Filed?

**Note:** All applicable U.S. schedules, forms and enclosures must be filed with Form 2. A copy of U.S. Schedule K-1 must be enclosed in all cases where a deduction is taken for the payment of income to a nonresident.

The Department of Revenue has developed an extensive information exchange program between the following returns:

- ▶ Form 1, Resident Income Tax Return;
- ▶ Form 1-NR/PY, Nonresident/Part-Year Resident Tax Return;
- ▶ Form M-1310, Statement of Claimant to Refund Due on Behalf of Deceased Taxpayer;
- ▶ Form 2, Fiduciary Income Tax Return; and
- ▶ Form M-706, Estate Tax Return.

Discrepancies and nonfilings, except those allowed under Massachusetts law, will be identified and may result in an audit or further investigation.

### When is Form 2 Due?

Form 2 is due **on or before April 15, 2004**. If permission has been granted to file on a fiscal year basis, the return is due on or before the 15th day of the fourth month after the close of the fiscal year. Request for permission to file on a fiscal year basis is submitted on Form 13.

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

If after filing your income tax return you receive an additional tax statement, such as a W-2 or 1099, or discover that an error was made, submit a second tax return containing the correct information. **Clearly mark this new return "Amended" across the top and select the amended return oval.** If the change reduces the tax liability, enclose Form CA-6, Application for Abatement/Amended Return, and a copy of the return that you originally filed. Form 2 or Form CA-6 is available at any Department of Revenue location, or you may have one mailed to you by calling (617) 887-MDOR.

### What If I Am Unable to Pay?

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

### How Do I Request An Extension?

To receive an extension of time to file, you must file an Application for Extension of Time to File Massachusetts Fiduciary, Partnership or Corporate Trust Return, Massachusetts Form M-8736, and pay the amount of tax you expect to owe on or before the due date for filing your Massachusetts income tax return. The filing and approval of this form will extend the due date for six months. Interest is charged on any tax not paid by the original due date.

If you are applying for an extension and do not expect to owe any tax or you choose to pay by Electronic Funds Withdrawal, you may file your application for extension by touch-tone telephone (see Form M-8736 instructions for more information).

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

Massachusetts Form M-8736. Form M-8736 is available at [www.mass.gov/dor](http://www.mass.gov/dor) or by calling (617) 887-MDOR.

## Are Charitable Trusts/Private Foundations Tax Exempt?

Funds held in trust for public charitable purposes are exempt from tax under Massachusetts General Laws (MGL), Ch. 62, sec. 3, if such income is currently payable to, or irrevocably set aside for, public charitable purposes.

Every trustee who receives income that, except for MGL, Ch. 62, sec. 3, would be taxable is required to file a return for such income on Form 2. The return must be accompanied by a copy of the most recently filed applicable federal return.

## What Deductions and Exemptions Are Allowable on the Guardianship/Conservatorship Form 2?

Every deduction and exemption that an individual is entitled to take on Form 1 may be claimed by the guardian or conservator on behalf of the ward on Form 2.

Supporting documentation must be enclosed, including all applicable schedules from U.S. Form 1040, e.g., Schedule A, Itemized Deductions, if claiming the medical expense exemption.

Any deduction or exemption claimed must be entered and explained first on Form 2, line 8, and then in line 17, line 27 and line 36, as appropriate. Deductions may usually only be used against 5.3% income. See Schedule C-2 for the limited circumstances under which deductions may be applied against interest (other than interest from Massachusetts banks), dividends and capital gain income.

## Should I Be Making Estimated Tax Payments in 2004?

Fiduciary filers (estates or trusts) who are subject to Massachusetts' jurisdiction and owe more than \$200 in taxes on income not subject to withholding for the taxable year, are required to make estimated tax payments to the Commonwealth.

In most cases, the first payment voucher, Massachusetts Form 2-ES, must be filed on or before April 15 of the taxable year. The estimated tax may be paid in full with the first payment voucher or in four installments on or before April 15, June 15, September 15 of the taxable year and January 15 of the following year. Massachusetts Form 2-ES is available at any Department of Revenue location.

Fiscal year taxpayers must file their first payment voucher on or before the 15th day of the fourth month of the fiscal year. The estimated tax may be

paid in full with the first payment voucher or in four equal installments on or before the 15th day of the fourth, sixth and ninth months of the fiscal year and the 15th day of the next fiscal year. Be sure to use the appropriate voucher for each payment and fill in the tax year and date.

Whenever a due date falls on a Saturday, Sunday or legal holiday, the filing and payment may be made on the next succeeding business day.

Fiduciaries who underpay, or fail to pay, their estimated taxes may incur a penalty. Form M-2210, Underpayment of Massachusetts Estimated Income Tax, is used to compute the additional charge.

**Name and title of fiduciary.** Enter the exact legal name and title of the fiduciary. In case of multiple fiduciaries, one name is sufficient.

**U.S. taxpayer number.** Enter the U.S. employer identification number. U.S. Form SS-4, Application for Employer Identification Number, should be used to apply for an employer identification number if you do not already have one. Enter "applied for" and the date applied for in the box if the number is not available at time of filing. Do **not** use a decedent's Social Security number for an estate. A separate employer identification number is required for the estate and for each trust entity.

**Name of entity.** Enter the exact legal name of the entity. If a trust or estate, refer to the governing instrument; other fiduciaries should use the exact legal name as their appointing court ruled.

**C/o.** If the mailing address is the address of a legal firm or a person other than the fiduciary, that person or firm should be listed on the C/o line.

**Mailing address of fiduciary.** Enter the mailing address of the fiduciary who is listed on the first line.

**Company account number.** If applicable, enter the company account number your firm has assigned to this entity.

**Date entity created.** Enter the date the trust was created. If filing a return for an estate, enter the date of death. All other fiduciaries should enter the date of appointment.

## Filing Status

Select all applicable ovals. For example, if an estate were filing its first return, it would select the ovals for Decedent's Estate **and** First Return. If filing an amended return, select the oval for Amended Return and write "Amended" across the top of the return. Grantor-type trusts should file Form 2G and select the Consolidated Form 2G oval if also filing Form 2. If filing on a fiscal year basis, enter your fiscal year's beginning and ending dates in the appropriate line above. If you have elected to file as a Qualified Funeral Trust (QFT) on U.S. Form 1041-QFT, select the oval for Qualified Funeral Trust. If you have filed a composite Form

1041-QFT for QFTs for which you are the trustee, you may also file a Form 2 for all QFTs that you are the trustee. If filing a composite Form 2 for QFTs, select the oval for Qualified Funeral Trust. If you have filed a composite Form 1041-QFT for QFTs for which you are the trustee, you may also file a Form 2 for all QFTs that you are the trustee. If filing a composite Form 2 for QFTs, select the oval for Qualified Funeral Trust and write "Composite QFT" across the top of the return. You must enclose a schedule with a composite Form 2 that includes the following information for each QFT (or separate interest treated as a separate QFT): The name of the owner or the beneficiary. If you list the name of the owner and that trust has more than one beneficiary, you must separate the trust into shares held by the separate beneficiaries; The type and gross amount of each type of income earned by the QFT for the tax year. For long-term capital gains, identify separately the amount of capital gain by holding period; The type of each deduction allocable to the QFT; The tax and payments made for each QFT; and if the QFT was terminated during the year, give the date of termination.

## 5.3% Income

### Line 1. Wages, Salaries, Tips, Other Employee Compensation

Enter wages, salaries, tips and other compensation earned and received, and if applicable, enter the amount reported as Massachusetts wages on Form W-2.

For a decedent's estate, income in respect of a decedent is taxed in line 1. Income in respect of a decedent is income the decedent had a right to receive prior to the date of death, but payment of which was made to the estate after date of death. Wages, salaries or other forms of compensation, including any fixed sum amount attributable to services rendered prior to the decedent's death, are to be included in line 1. Income in respect of a decedent is reported and taxed on the Form 2 as income to the estate in addition to reporting and taxing it on the Decedent's Estate Tax Return, Form M-706, as an asset of the estate.

### Line 2. Taxable Pensions and Annuities

Income from most private pension or annuity plans is taxable in Massachusetts. Only if the income is from a contributory annuity, pension, endowment or retirement fund of the U.S. government, the Commonwealth of Massachusetts or its political subdivisions, or any noncontributory pension or survivorship benefits from the United States uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the U.S. Public Health Service and Na-

tional Oceanic and Atmospheric Administration) is the income exempt. Pension income from certain other states or their political subdivisions that do not tax such income from Massachusetts, may be eligible to be deducted.

Enter the fully taxable amounts received from pension or annuity plans in line 2. Amounts distributed from an IRA or Keogh plan should also be reported in line 2.

### Line 3. Business/Profession or Farm Income or Loss

For entities engaged in operating a business or profession, complete and enclose Massachusetts Schedule C or U.S. Schedules C, C-EZ or F, and enter the amount of income or loss in line 3.

### Line 4. Rental, Royalty and REMIC Income or Loss

Rental, Royalty and Real Estate Mortgage Investment Conduit (REMIC) residual income are generally taxable in Massachusetts. Enter the amount from Schedule E, line 4. Enclose Massachusetts Schedule E. Explain any differences in amounts entered on the Massachusetts and U.S. schedules which result from part-year residency, trust provisions or allowable differences. See Schedule E instructions for further details of possible differences in reporting rental, royalty and REMIC income or loss.

### Line 5. Interest from Massachusetts Banks

Enter in line 5 the total amount of interest received or credited to deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts) in all savings banks, cooperative banks, savings and loan associations or credit unions located in Massachusetts. All other interest, unless exempt, should be entered in Schedule B, line 1.

### Line 6. Other 5.3% Income

Other 5.3% income, not reported elsewhere, must be included here.

Items reported here include: partnership and S corporation income or loss; gambling winnings from lotteries, raffles, races or other events of chance, wherever held; fair market value of prizes and awards; lump-sum distributions from qualified employee benefit plans in excess of employee's contributions and any other miscellaneous income.

Income received by a Massachusetts trust or estate from sources not previously subject to Massachusetts jurisdiction or taxed in Massachusetts

is subject to taxation on Form 2. Sources not previously subject to Massachusetts taxation include non-Massachusetts estates, trusts and partnerships, wherever located. Enter the income or loss from these entities in the appropriate lines 1 through 27 on Form 2 and Schedule D, lines 1 through 6 according to the character and source of income. If no other line applies, enter the income or loss from these entities in line 6.

### Line 7. Total 5.3% Income

Add lines 1 through 6, and enter the total in line 7.

### Line 8. Modified Gross 5.3% Income

Once jurisdiction is established, income received by a fiduciary or executor is fully taxable in Massachusetts to the extent that the income is payable to/or accumulated for residents of Massachusetts. Correspondingly, a percentage deduction may be taken by the entity for amounts paid to nonresident beneficiaries, subject to the following limitation: to the extent of any income that is subject to taxation under MGL, Ch. 62, sec. 5A, as Massachusetts source income, such income is fully taxable, regardless of whether it is payable to/or accumulated for residents or nonresidents. For a more detailed explanation of what constitutes Massachusetts source income, please refer to the "Definitions" section.

Income received by a fiduciary or executor which is accumulated for unborn or unascertained persons, beneficiaries or remaindermen with uncertain interests, is also fully taxed as though accumulated for residents of the Commonwealth. Enter the 5.3% income taxable in Massachusetts. Explain if line 8 is different from line 7.

**Example:** Trust X received \$6,000 in non-Massachusetts source royalty income, line 4 and \$7,000 in winnings, line 6. The trust has two beneficiaries, one a resident of Massachusetts and the other a resident of Oregon. The trust paid each beneficiary one-half of the income, \$6,500 each. The trust may deduct \$3,000 of the royalty income from its total 5.3% income as a payment to a nonresident. The trust may not, however, deduct the Oregon resident's share of the Massachusetts winnings, \$3,500, as it is Massachusetts source income and is taxable to nonresidents. The trust then has \$10,000 of modified gross income for line 8.

### Lines 9 and 10. Beneficiaries' Exemptions

Enter the amount assignable to beneficiaries with No Tax Status, or the amount applicable to beneficiaries' unused personal exemptions. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be enclosed to substantiate the claim.

### Line 11. Deductions Allowed Decedents

The amount of any deduction in respect to a decedent that is not properly allowable to the decedent in respect to the taxable period in which his/her date of death falls, or prior period, shall be specifically allowed, provided that the estate of the decedent is liable to discharge the obligation for which the deduction relates.

The following deductions are allowed, but only if attributable to the decedent and paid after date of death (enclose copy of Form 1):

- amounts paid into Social Security (FICA), Railroad, U.S. or Massachusetts Retirement Systems are deductible up to a maximum of \$2,000. Payments to an IRA, Keogh, Simplified Employee Pension Plan (SEP) or Simple Account are not deductible.

- amounts paid to someone to care for one (or more) qualified child under age 13, or for a disabled dependent(s) or spouse so that the decedent could work or look for work, are deductible as an employment-related expense.

- a deduction of \$3,600 for one or \$7,200 for two dependent members of household under age 12, or dependent age 65 or over (not the taxpayer or their spouse) or disabled dependent at the close of the taxable year in which the decedent's death falls. This deduction may only be claimed as long as no employment-related expense deduction is claimed.

- amounts paid for rent qualifying as the decedent's principal residence, are deductible equal to 50% of the rent paid during the taxable year, up to a maximum of \$3,000. Enclose a supplemental statement listing landlord's name(s) and address(es), dates rented and amount(s) of rent paid for each residence.

- the deduction for unreimbursed travel and transportation expenses incurred by any employee, and unreimbursed gifts, entertainment and other employee business expenses incurred by employees who solicit business for an employer away from the employer's place of business are allowed only if the taxpayer itemizes deductions on his/her U.S. income tax return and only for amounts that exceed 2% of U.S. adjusted gross income. The amount an employee is reimbursed for business expenses continues to be an allowable deduction.

- a penalty charge for early withdrawal of savings and interest is deductible but only if the interest that the penalty is related to is reported on Form 2.

- amounts paid to a former spouse for alimony or separate maintenance pursuant to a court decree are deductible as long as the amounts are paid in the taxable year in which the decedent's death falls.

In addition, the following federal deductions are allowed: interest payments due and paid on qualified student loans; qualified moving expenses paid or incurred with the commencement of work at a new principal place of work; business expenses of state and local government employees who are compensated on a fee basis; jury duty pay surrendered by an employee to their employer; and contributions by employees of small businesses and self-employed individuals to a Medical Savings Account.

### **Line 12. Total Exemptions and Deductions**

Add lines 9 through 11, and enter the total in line 12.

### **Line 13. Net Taxable 5.3% Income**

Subtract line 12 from line 11. Enter the result in line 13, but *not less than "0."*

### **Line 14. Interest and Dividend Income**

Enter amount from Schedule B, line 40. See Schedule B instructions for detailed information. Complete and enclose Schedule B.

### **Line 15. Common Trust Fund Interest and Dividends**

Enter the amount of interest and dividends received from common trust funds.

### **Line 16. Total Interest and Dividend Income**

Add lines 14 and 15.

### **Line 17. Modified Gross Interest and Dividend Income**

Enter the modified gross income in Massachusetts. Modified gross income is the amount reported on line 16, reduced by the portion of such amount that is attributable to deductible amounts paid to or accumulated for nonresident beneficiaries. No amount of capital gains accumulated for an unascertained remainder may be deducted in determining amounts reportable in line 17. If there is Massachusetts source income in line 16, refer to the instructions for line 8. Explain if line 17 is different from line 16.

### **Lines 18 and 19. Beneficiaries' Exemptions**

Enter the amount assignable to beneficiaries with No Tax Status or the amount applicable to beneficiaries' unused personal exemptions in lines 18 and 19. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be enclosed to substantiate the claim.

### **Line 21. Net Taxable Interest and Dividend Income**

Subtract line 20 from line 17, and enter the result in line 21. If less than zero, enter "0." This is the net taxable interest and dividend income.

### **Line 22. Net Income Taxable at 5.3%**

Add lines 13 and 21.

### **Line 23. Tax from Table**

Based upon the amount in line 22, find the proper amount of tax in the table, and enter the tax in line 23. If line 22 is greater than \$24,000, multiply the amount in line 22 by .053, and enter the result in line 23. You **must** use the tax table if line 22 is \$24,000 or less.

### **Line 24. 12% Capital Gains**

Enter amount from Schedule B, line 41. See Schedule B instructions for detailed information. Complete and enclose Schedule B.

### **Line 25. Short-Term Common Trust Fund Capital Gains**

Enter the amount of short-term capital gains received from common trust funds.

### **Line 26. Total 12% Capital Gains**

Add lines 24 and 25.

### **Line 27. Modified 12% Capital Gains**

Enter the modified gross income in Massachusetts. Modified gross income is the amount reported on line 26, reduced by the portion of such amount that is attributable to deductible amounts paid to or accumulated for nonresident beneficiaries. No amount of capital gains accumulated for an unascertained remainder may be deducted in determining amounts reportable in line 27. If there is Massachusetts source income in line 26, refer to the instructions for line 8. Explain if line 27 is different from line 26.

### **Lines 28 and 29. Beneficiaries' Exemptions**

Enter the amount assignable to beneficiaries with No Tax Status or the amount applicable to beneficiaries' unused personal exemptions. See the section on Beneficiaries' Claims. Form 20 or 20A and Form 1 must be enclosed to substantiate the claim.

### **Line 31. Net Taxable 12% Capital Gains**

Subtract line 30 from line 27, and enter the result in line 31. If less than zero, enter "0." This is the net taxable 12% income.

### **Line 32. 12% Tax**

Multiply the amount in line 31 by .12, and enter the result in line 32.

### **Line 33. Long-Term Capital Gains**

Enter the amount from Schedule D, line 20 in line 33.

### **Line 34. Long-Term Common Trust Fund Capital Gains**

Enter the amount of long-term common trust fund capital gains in line 34.

### **Line 42. Credit Recapture**

If any Brownfields Credit, Economic Opportunity Area Credit or Low-Income Housing Credit 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 tax on Form 2. Complete and enclose Schedule H-2, Credit Recapture.

### **Line 43. Total Tax**

Add lines 23, 32, 41 and 42. Enter the total in line 43.

### **Line 44. Credits**

**Credit for taxes paid to other jurisdictions.** You should use Schedule F, if all or part of the income reported on this return is subject to taxation in another state or specified jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction. Do not include taxes paid to the U.S. government. Enclose Schedule F. The total credit which you calculate on Schedule F 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 jurisdiction.

**Lead Paint Credit.** A credit for up to \$1,500 is given for expenses incurred for removing or covering lead paint on residential premises in Massachusetts. A seven-year carryover of any unused credits is provided. However, credits generated before January 1, 1994 are subject to a five-year carryover. Also, a credit is allowed for interim controls, abatement measures that have been taken pending the complete removal of lead paint, for up to \$500 per dwelling unit. This \$500 amount is counted towards the \$1,500 limit. Strict regulations govern who can cover or remove lead paint. The basic rules are explained on Massachusetts Schedule LP, Credit for Removing or Covering Lead Paint on Residential Premises. If you qualify for the credit, complete Massachusetts Schedule LP.

**Economic Opportunity Area Credit.** Massachusetts allows a credit equal to 5% of the cost of qualifying property purchased for business use within an Economic Opportunity Area (EOA). To qualify for this credit, the property must be used exclusively in a certified project in an EOA. A certified project is a project that has been approved by the Economic Assistance Coordinating Council (EACC). Complete Schedule EOA, Economic Opportunity Area Credit. See Schedule EOA for more information.

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

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

**Low-Income Housing Credit.** A low-income housing credit is available to taxpayers. The Department of Housing and Community Development will allocate the low-income housing credit from a pool of available credits granted under section 42 of the Internal Revenue Code among qualified low-income housing projects. A taxpayer allocated a federal low-income housing credit may also be eligible for a state credit based on the credit amount allocated to a low-income housing project that the taxpayer owns. A five-year carryforward of used credit is allowed. See TIR 99-19 for more information.

### Line 45. Tax After Credits

Subtract line 44 (total credits) from line 43 and enter the result in line 45.

### Line 46. Massachusetts Income Tax Withheld

This represents **all** income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Forms W-2, W-2G and 1099-G or 1099-R, if applicable. Enter the total of all Massachusetts withholdings in line 46. Be sure you attach the **state** copies to the front of your return in the left margin; otherwise your claim of amounts withheld will not be allowed. If you have lost any state copy, ask the payer for a duplicate. Copies of Forms 1099-G and 1099-R need only be attached if they show an amount for Massachusetts tax withheld.

### Line 47. 2002 Overpayment Applied to your 2003 Estimated Tax

Include the exact amount of any 2002 overpayment you applied to your 2003 estimated taxes on your 2002 Massachusetts Form 2, line 52. Do not include any 2002 refund in this line.

### Line 48. 2003 Massachusetts Estimated Tax Payments

Enter the total amount of Massachusetts estimated income tax payments made for 2003. Do not include the amount in line 47.

### Line 49. Payments Made with Extension

If an Application for Extension of Time to File Fiduciary, Partnership or Corporate Trust Return, Massachusetts Form M-8736, was made for 2003 on or before the due date of the return, enter in line 49 the amount you paid with Massachusetts Form M-8736. An extension of time to file does not extend the due date for payment of the tax.

Any tax not paid on or before the due date, without regard to the extension, will be charged interest. Any tax not paid within the extended period is subject to a penalty of  $\frac{1}{2}\%$  per month, up to a maximum of 25% from the due date of the return.

### Line 50. Payment with Original Return

Use this line if you are amending the original return. Enter in line 50 the amount of tax you paid with the original return from line 55, Balance Due. If estimated tax payments were made on the original return, they should be reflected in line 48, as on the original return. Select the 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. If the change reduces the tax liability, enclose Form CA-6, Application for Abate-

ment/Amended Return, and a copy of the return that you originally filed.

Send the amended return, with Form CA-6 on top, to:

**Massachusetts Department of Revenue  
PO Box 7031  
Boston, MA 02204**

If you owe additional tax, send the amended Form 2 to:

**Massachusetts Department of Revenue  
PO Box 7018  
Boston, MA 02204**

### Line 51. Total Tax Payments

Add lines 46 through 50, and enter the total in line 51.

### Line 52. Overpayment

If line 45 is smaller than line 51, subtract line 45 from line 51, and enter the result in line 52. This is the amount of the overpayment. If line 45 is larger than line 51, skip to line 55.

### Line 53. Amount of Overpayment to be Applied to 2004 Massachusetts Estimated Taxes

Enter the amount of the 2003 overpayment from line 52 that you want applied to your 2004 Massachusetts estimated taxes.

### Line 54. Amount of Refund

Subtract line 53 from line 52, and enter the result in line 54. This is the amount of your refund.

### Line 55. Balance Due

If line 51 is smaller than line 45, subtract line 51 from line 45, and enter the result in line 55. Include in line 55 any additional payment for interest and/or penalty (see following description), and indicate amount on form. Pay this amount in full with the return when filed. Make the check or money order payable to the **Commonwealth of Massachusetts** and write the tax identification number on the lower left front corner.

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

**Penalty for failure to file.** The penalty for failure to file a tax return by the due date is 1% of the tax due, per month (or fraction thereof) up to a maximum of 25%.

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

**Federal (audit) change penalty.** If the U.S. Internal Revenue Service changes a tax return for a prior year (generally through audit), file an amended Form 2 with the amended box checked together with any required schedules or additional payments within one year of the final federal determination to avoid a penalty. The penalty is equal to the smaller of 10% of the additional tax due, or \$100. If the change indicates a refund, file Massachusetts Form CA-6, Application for Abatement/Amended Return, within one year.

**Addition for underpayment of estimated tax.** If withholding and/or estimated tax payments do not equal 80% of the total tax liability required to be paid, an addition to tax will generally apply. If you failed to meet this requirement, you must complete and enclose Massachusetts Form M-2210 to calculate the amount of penalty you must add to line 55 or to show which exception applies. Most taxpayers who qualify for an exception had withholding and/or estimated payments equal to their tax liability for the previous year.

## Taxpayer's Declaration

At least one of the fiduciaries must sign the return, under penalties of perjury, and write the date it is signed. Fiduciaries using facsimile signatures **must** follow the procedures in DOR Directive 89-9. Staple all state copies of any Forms W-2, W-2G and any 1099 with Massachusetts withholding on the front of the Form 2. If making a payment, staple your check or money order to Form 2-PV. Form 2-PV can be found on the inside front cover of this booklet. Make the check or money order payable to the **Commonwealth of Massachusetts**, and be sure to sign the check. The tax identification number should be entered on the front of the check. Enclose all required U.S. forms and schedules to the back. Please enclose Massachusetts forms and schedules first, followed by Massachusetts Form M-2210.

This return, together with payment in full, is due **on or before April 15, 2004**. Mail to:

**Massachusetts Department of Revenue  
PO Box 7018  
Boston, MA 02204**

Direct fiduciary inquiries, **not returns**, to:

**Massachusetts Department of Revenue  
Customer Service Bureau  
PO Box 7010  
Boston, MA 02204  
Telephone: (617) 887-MDOR**

## Schedule B/R. Beneficiary/ Remaindermen Information

### Beneficiaries

List the complete name of each income beneficiary. An income beneficiary is a beneficiary of a trust who is entitled to receive the income from the trust. If filing for other than a trust, enter the name of the person receiving the income.

### Remaindermen

In returns where taxable stock dividends, taxable gains from the purchase or sale of real estate, tangible and intangible personal property, or dividends which are wholly or in part credited to capital have been received by the fiduciary during the tax year covered by this return and in all cases where all or part of the taxable income is accumulated for remainder interests, then Schedule B/R **must** include the complete name and address of each remainderman (a remainderman is the person entitled to an estate after the prior estate has expired).

Note that accumulated income or principal held in trust for the benefit of unborn or unascertained persons, or persons with uncertain interests, are taxed as if accumulated for the benefit of a known Massachusetts resident (MGL, Ch. 62, sec. 10(a)).

### Social Security Number

Enter the Social Security number of the income beneficiary or remaindermen.

### Legal Domicile

Enter the legal domicile of the income beneficiary or remaindermen. A legal domicile is a person's permanent home.

### Total Income

Enter the dollar amount of the income the beneficiary or remaindermen received during the tax period covered by the return.

### Percentage of Income

Enter the percentage of total income that was paid to/or accumulated for each beneficiary or remaindermen.

### Percentage of Taxable Income

Indicate the percentage of total income taxable in Massachusetts for each beneficiary or remaindermen.

### Line 1. Accumulated Income

Enter the amount of income accumulated, i.e., retained by the entity, for the year.

### Line 3. Accumulated Capital Gain

Enter the amount of capital gain accumulated, i.e., retained by the entity, for the year.

## Schedule B. Interest, Dividends and Certain Capital Gains and Losses

You must file Massachusetts Schedule B if you had:

- ▶ any interest income other than from Massachusetts banks taxed at 5.3%;
- ▶ short-term capital gains or losses;
- ▶ carryover short-term losses from prior years;
- ▶ long-term gains on collectibles or pre-1996 installment sales;
- ▶ gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- ▶ net long-term capital gains or losses; or
- ▶ excess exemptions.

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

▶ You need not file Massachusetts Schedule B if all interest income you had was from Massachusetts banks (reportable in Form 2, line 4).

▶ 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 exempt portions of any interest or dividends from a mutual fund or dividends from current earnings of a corporate trust that are taxed directly on a Massachusetts Corporate Trust Return, Form 3F.

### Line 1. Total Interest

Enter total interest from U.S. Form 1041 or 1041-QFT, page 1, line 1.

**Note:** Interest is Massachusetts source income if it is derived from or connected with Massachusetts business activity or the ownership of Massachusetts real estate or tangible personal property.

Interest from a common trust fund may be excluded here, provided it is entered in Form 2, line 15. If common trust fund interest is included in this line, enter the amount in line 8 and Form 2, line 15.

### Line 2. Total Dividends

Enter total dividends from U.S. Form 1041 or 1041-QFT, page 1, line 2a. Dividends from a common trust fund may be excluded here, provided they are entered in Form 2, line 15. If common trust fund dividends are included in this line, enter the amount in line 8 and Form 2, line 15.

**Line 3. Other Interest and Dividends**

Enter in line 3 any other interest and dividends not included in lines 1 and 2. Line 3 includes such items as interest from obligations of other states and their political subdivisions that are not taxable federally but are taxable in Massachusetts. Any tax-exempt municipal interest, including interest from all Massachusetts municipalities, should be entered here for Schedule H computations.

**Line 4. Total Interest and Dividends**

Add lines 1, 2 and 3, and enter the total in line 4.

**Line 5. Interest on U.S. Debt Obligations**

Enter the total amount of U.S. government obligation interest included in line 4. Interest from obligations of the U.S. government are not taxable by the Commonwealth of Massachusetts.

**Line 6. Total Interest from Massachusetts Banks**

Enter the total amount of interest from savings in Massachusetts banks included in Form 2, line 5.

**Line 7. Interest and Dividends Taxed Directly to Other Massachusetts Estates and/or Trusts**

Enter the total amount of interest and dividends taxed directly to other Massachusetts estates and/or trusts that has been included in lines 1, 2 or 3. Enclose a statement detailing the type of income, the payor and the payor's tax identification number.

**Line 8. Other Interest and Dividends to Be Excluded**

Enter any other interest or dividends to be excluded. A schedule and statement of explanation must be enclosed. Common trust fund dividends or interest included in lines 1 or 2 must be entered here. Any tax-exempt municipal interest entered in line 3, for Schedule H computations, must be entered here.

**Line 9. Total Adjustments**

Add lines 5 through 8, and enter the total in line 9.

**Line 10. Subtotal Interest and Dividends**

Subtract line 9 from line 4, and enter the result in line 10.

**Note:** If there are any differences between U.S. and Massachusetts amounts reported in lines 13, 14, 15, 19 and 20, be sure to enter the Massachusetts amount and enclose a statement that includes the line item and an explanation of the differences.

Exclude short-term capital gains received from common trust funds from Schedule B and enter

short-term capital gains received from common trust funds in Form 2, line 25. Also, exclude short-term capital gains or losses taxed directly on Massachusetts Fiduciary Return, Form 2, or other fiduciaries of which this entity is a beneficiary.

**Line 11. Allowable Deductions From Your Trade or Business**

Enter the amount from Massachusetts Schedule C-2, line 8 if you qualify for an excess trade or business deduction. See the instructions for Massachusetts Schedule C-2.

**Line 12. Subtotal Interest and Dividends**

Subtract line 11 from line 10, and enter the result in line 12.

**Line 13. Short-Term Capital Gains**

Enter the total short-term capital gains included in U.S. Form 1041, Schedule D, Part I, lines 1, 2 and 3.

**Line 14. Long-Term Capital Gains on Collectibles and Pre-1996 Installment Sales**

Enter the total amount of long-term capital gains on collectibles and pre-1996 installment sales from Massachusetts Schedule D, line 13.

**Line 15. Gain on Sale of Business Property**

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

**Line 16. Gross Interest, Dividends and Certain Capital Gains**

Add lines 13 through 15.

**Line 17. Allowable Deductions From Your Trade or Business**

Enter the amount from Massachusetts Schedule C-2, line 11 if you qualify for an excess trade or business deduction. See the instructions for Massachusetts Schedule C-2.

**Line 18. Subtotal Interest, Dividends and Certain Capital Gains**

Subtract line 17 from line 16.

**Line 19. Short-Term Capital Losses**

Enter the total short-term capital losses included in U.S. Form 1041 Schedule D, Part I, lines 1, 2 and 3.

**Line 20. Loss on Sale of Business Property**

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

**Line 21. Prior Years Short-Term Unused Losses**

You may use short-term losses accumulated in the previous taxable years beginning after 1981 in the computation of short-term gain or loss for the current year. Enter here the short-term loss amount from your 2002 Massachusetts Schedule B, line 42.

**Line 22. Subtotal Interest and Dividends and Certain Capital Gains and Losses**

Combine lines 18 through 21. If a positive amount, omit lines 23 through 26 and go to line 27. If the total is a loss, go to line 23.

**Line 23. Short-Term Capital Losses Applied Against Interest and Dividends**

Enter the smaller of line 12 or line 22 (as a positive amount) but not more than \$2,000.

**Line 24. Subtotal Interest and Dividends and Certain Capital Gains and Losses**

Combine lines 22 and 23. If line 24 is less than "0", go to line 25. If line 24 is "0", omit lines 25 through 31 and go to line 32.

If Schedule B, line 24 is a loss and Schedule D, line 14 is a loss, omit line line 25, enter the amount from line 24 in line 26 and line 42, omit lines 27 through 31 and complete lines 32 through 40.

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

If Schedule B, line 24 is a loss and Schedule D, line 14 is greater than "0," enter the smaller of Schedule B, line 24 (considered as a positive amount) or Schedule D, line 14 in Schedule B, line 25 and in Schedule D, line 15.

**Line 26. Short-Term Capital Losses for Carryover in 2004**

Combine line 24 and line 25 and enter the result in line 26 and in line 42, omit lines 27 through 30, enter "0" in line 31, and complete lines 32 through 41.

**Line 27. Short-Term Capital Gains and Long-Term Gains on Collectible**

Enter the amount from Schedule B, line 22. If Schedule D, line 14 is "0", or greater, omit line 28 and enter the amount from line 27 in line 29. If Schedule D, line 14 is a loss go to Schedule B, line 28.

**Line 28. Long-Term Capital Losses Applied Against Short-Term Capital Gains**

If Schedule B, line 27 is greater than "0", and Schedule D, line 14 is a loss, enter the smaller of Schedule B, line 27 or Schedule D, line 14 (considered as a positive amount) in Schedule B, line 28 and in Schedule D, line 15.

**Line 29. Net Interest and Dividends and Certain Capital Gains and Losses**

Subtract line 28 from line 27. If line 29 is "0," omit line 30 and enter "0" in line 31.

**Line 30. Long-Term Gain Deduction**

If there is no entry in line 14, enter "0." If line 14 shows a gain, enter 50% of line 14 less 50% of losses in lines 19, 20, 21 and 28, but not less than "0."

**Line 31. Short-Term Gains After Long-Term Gains Deduction**

Subtract line 30 from line 29. Not less than "0."

**Line 32. Subtotal Interest and Dividends**

Enter the amount from line 12.

**Line 33. Short-Term Losses Applied Against Interest and Dividends**

Enter the amount from line 23. If line 23 is not completed, enter "0."

**Line 34. Adjusted Interest and Dividends**

Subtract line 33 from line 32. If Schedule D, line 16 is "0" or greater omit line 35 and enter the amount from line 34 in line 36. If Schedule D, line 16 is a loss go to line 35.

**Line 35. Long-Term Losses Applied Against Interest and Dividends**

If Schedule B, line 34 is a positive amount and Schedule D, line 16 is a loss, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, line 35 and Schedule D, line 17.

**Line 36. Adjusted Interest and Dividends**

Subtract line 35 from line 34.

**Line 37. Adjusted Gross Interest, Dividends and Certain Capital Gains**

Add lines 31 and 36. Not less than "0."

**Line 38. Expense and Fiduciary Compensation Deduction**

Enter the allowable portion of expenses as computed on Schedule H, Part 1, line 5, and compensation as computed on Schedule H, Part 2, line 18. Enclose a copy of Schedule H.

**Line 39. Taxable Interest, Dividends and Certain Capital Gains**

Subtract line 38 from line 37. Not less than "0."

**Line 40. Interest and Dividends Taxable at 5.3%**

If line 39 is greater than or equal to line 12, enter the amount from line 12 here and on Form 2, line 14. If line 39 is less than line 12, enter the amount from line 39 here and on Form 2, line 14.

**Line 41. Taxable 12% Capital Gains**

Subtract line 40 from line 39. Not less than "0." Enter the result here and on Form 2, line 24.

**Line 42. Available Short-Term Losses for Carryover in 2004**

Enter the amount from line 26, only if it is a loss.

*Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 35 and Schedule D, Line 17. Complete only if Schedule B, line 34 is a positive amount and Schedule D, line 16 is a loss. Enter all losses as positive amounts.*

1. Enter amount from Schedule B, line 32 . . . . . \_\_\_\_\_
2. Enter the lesser of line 1 or \$2,000 \_\_\_\_\_
3. Enter the amount from Schedule B, line 33 . . . . . \_\_\_\_\_
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 16 as a positive amount. Otherwise, enter "0" . . . . . \_\_\_\_\_
6. If line 4 is smaller than or equal to line 5, enter line 4 here and in Schedule B, line 35 and in Schedule D, line 17. If line 4 is larger than line 5, enter line 5 here and in Schedule B, line 35 and in Schedule D, line 17 . . . . . \_\_\_\_\_

**Schedule D. Capital Gains and Losses — Long-Term Capital Gains and Losses Excluding Collectibles**

You must complete Massachusetts Schedule D if you had a long-term gain or loss from the sale or exchange of capital assets or from similar transac-

tions which are granted capital gain or loss treatment on your U.S. return or, if you had capital gain distributions. Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange. Holding periods will be deemed not to have begun prior to January 1, 1995.

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

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

► Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and

► Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7.

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

**Note:** If you are reporting capital gains on installment sales that occurred during January 1, 1996 through April 30, 2002, do not file Schedule D. Instead, you must file Schedule D-IS, Installment Sales. If you are reporting an installment sale occurring on or after May 1, 2002, report those gains on Schedule D. Schedule D-IS can be obtained on DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor).

**Line 1. Long-Term Capital Gains and Losses**

Enter the gain or loss included in U.S. Form 1041, Schedule D, line 6, column f.

**Line 2. Additional Long-Term Capital Gains and Losses**

Enter the gain or loss included in U.S. Form 1041, Schedule D, line 7, column f.

**Line 3. Net Long-Term Gain or Loss from Partnerships, S Corporations, Estates and Trusts**

Enter the gain or loss included in U.S. Form 1041, Schedule D, line 8, column f.

**Line 4. Capital Gain Distributions**

Enter the amount of capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Form 1041, Schedule D, line 9, column f.

**Line 5. Gain From U.S. Form 4797**

Enter the gain or loss included in U.S. Form 1041, Schedule D, line 10, column f.

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

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

**Line 7. Carryover Losses from Previous Years**

If you have a carryover loss from a prior year, enter in line 7 the amount of carryover losses from your 2002 Massachusetts Schedule D, line 28.

**Line 8. Subtotal**

Combine lines 1 through 7 and enter the result in line 8.

**Line 9. Net Gains or Losses Taxed to Other Fiduciaries**

Enter in line 9 only gains or losses that are taxed directly on Massachusetts Fiduciary Return, Form 2, or other fiduciaries of which this entity is a beneficiary. Only exclude the amount if it is included in lines 1 through 7 of Schedule D. Enter the tax identification number of the other entity on an additional sheet of paper.

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

**Line 10. Exclude/Subtract Line 9 from Line 8**

Exclude/subtract line 9 from line 8. If line 9 is a loss, add such loss as a positive number to the amounts recorded in line 8.

**Line 11. Differences**

Enter any differences between the gains or losses reportable for Massachusetts tax purposes and the U.S. gains or losses reported on Schedule D and U.S. Form 4797, Part II. Enter the amount of common trust fund gain included in line 10. This amount would have been carried over from your U.S. Form 1041, Schedule D, and is properly reported on Form 2, line 34. Differences include:

- ▶ capital gains or losses that occurred while the taxpayer was legally domiciled in another state or country during the taxable year;
- ▶ capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts; and
- ▶ Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and U.S. tax laws.

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 10 should be reported on Massachusetts Schedule D, line 11 (“Differences”). The amount of such gain classified as ordinary income should then be reported on Form 2, line 6 (“Other income”) and identified as “2003 gain from pre-1996 installment sale.”

Any entry in line 11 must be clearly explained in an enclosed statement.

**Line 12. Massachusetts 2003 Gains or Losses**

Exclude/subtract line 11 from line 10.

**Line 13. Long-Term Gains on Collectibles and Pre-1996 Installment Sales**

Enter in line 13 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 12.

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 Mass-

achusetts 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 classified as ordinary income and that are included on Massachusetts Schedule D, line 10 should be reported on Massachusetts Schedule D, line 11 (“Differences”). The amount of such gain classified as ordinary income should then be reported on Form 2, line 6 (“Other income”) and identified as “2003 gain from pre-1996 installment sale.”

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

**Line 14. Subtotal**

Subtract line 13 from line 12 and enter the result in line 14.

If Schedule D, line 14 is a loss and Schedule B, line 24 is “0” or less, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16 and enter “0” on Form 2, line 33.

If Schedule D, line 14 is a gain and Schedule B, line 24 is a loss, go to Schedule D, line 15.

If Schedule D, line 14 is a loss and Schedule B, line 24 is a positive amount, go to Schedule D, line 15. If Schedule D, line 14 is a gain, and Schedule B, line 24 is “0” or greater, omit Schedule D, lines 15 through 17 and enter the amount from Schedule D, line 14 in Schedule D, line 18.

**Line 15. Capital Losses Applied Against Capital Gains**

If Schedule D, line 14 is a positive amount and Schedule B, line 24 is a loss, enter the smaller of Schedule D, line 14 or Schedule B, line 24 (considered as positive amount) in Schedule D, line 15 and Schedule B, line 25.

If Schedule D, line 14 is a loss and Schedule B, line 27 is a positive amount, enter the smaller of Schedule D, line 14 (considered as a positive amount) or Schedule B, line 27 in Schedule D, line 15 and in Schedule B, line 28.

**Line 16. Subtotal**

Combine lines 14 and 15.

**Line 17. Long-Term Capital Losses Applied Against Interest and Dividends**

Complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 35 and Schedule D, Line 17 only

if Schedule B, line 34 is a positive amount and Schedule D, line 16 is a loss.

### Line 18. Subtotal

Combine line 16 with line 17 and enter the result in line 18.

If Schedule D, line 18 is "0", enter "0" in lines 19 through 21. If Schedule D, line 18 is a loss, omit lines 19 and 20 and enter the amount from line 18 in line 21 and enter "0" in Form 2, line 33.

### Line 19. Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.3% trade or business deductions to offset other income. However, Massachusetts law allows such offsets if the following requirements are met: the excess 5.3% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade of business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

Enter in line 19 the amount from Schedule C-2, line 14.

### Line 20. Subtotal

Subtract line 19 from line 18 and enter the result in line 20 and Form 2, line 33. Not less than "0."

### Line 21. Available Losses for Carryover

Enter the amount from Schedule D, line 18, only if it is a loss.

### Schedule E. Rental, Royalty and REMIC Income or Loss

Enclose a copy of the U.S. Schedule E and U.S. Form 8582.

Rental income from property located in Massachusetts attributable to either a Massachusetts domiciliary, or to a resident decedent, is defined as Massachusetts source income and is taxed at 100%, regardless of the domicile of the beneficiary. In the case of a beneficiary domiciled in Massachusetts, rental income from real estate, wherever located, attributable to such beneficiary is taxed at 100%. In the case of a nonresident beneficiary, income from rental property located outside Massachusetts is not subject to taxation, unless it is accumulated for unknown or unascertained persons, or persons with uncertain interests.

For a decedent's estate, if the executor is authorized or directed in the will to occupy the decedent's realty and collect rents therefrom, or in the

absence of a will, the court decree, appointing a temporary executor or administrator, authorizes the same, then to the extent of any income collected, it is reported in line 1. Generally, the income is reported on the Form 1 of the heir or devisee taking either title or control and possession of the property, because under Massachusetts law, title to real property vests immediately upon death in the devisee or heirs at law. The income is taxed on Form 2 only when the real estate is under administration or the person taking title or possession is the executor or administrator.

### Line 1a. Rental and Royalty Income or Loss

Enter in line 1a the total rental income or loss from U.S. Form 1040, Schedule E, Part I, line 26 and Part V, line 39.

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

Enter in line 1b the total Real Estate Mortgage Investment Conduit (REMIC) residual income or loss from U.S. Schedule E, Part IV, line 38.

### Line 1. Subtotal

Combine lines 1a and 1b, and enter in line 1.

### Line 2. Massachusetts Differences

Enter and explain any differences between rental, royalty and REMIC income on the Massachusetts return. Possible differences include part-year resident status or trust provisions. As a result of differences in U.S. and Massachusetts rules in 1987, the calculations you made for passive losses on your 1987 U.S. and Massachusetts returns may have differed. Differences in 1987 and 2003 amounts reported for U.S. and Massachusetts tax purposes should be adjusted for when the property is disposed of or the deduction is used up.

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

For more information, see TIR 88-12.

### Line 3. Abandoned Building Renovation Deduction

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

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

In line 3, enter 10% of the costs of renovating a qualifying abandoned building. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building.

### Line 4. Total Rental, Royalty and REMIC Income or Loss for Massachusetts

Combine lines 1, 2 and 3. Enter in line 4 on Schedule E and on Form 2, line 4.

### Schedule F. Credit for Income Taxes Paid to Other Jurisdictions

Complete Schedule F to calculate your credit for income taxes paid by you, by a partnership of which you are a partner or by an S corporation of which you are a shareholder, to another state or jurisdiction on income reported on Form 2. **Enclose a copy of the complete return(s) filed in other jurisdictions.**

You are allowed to claim a credit for taxes paid to the following jurisdictions: (a) other states in the United States; (b) any territory or dependency of the United States (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces.

**Note:** Canada is the only foreign country for which you may claim a tax credit on Schedule F. First deduct any U.S. credit amount allowable.

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

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

You must complete separate schedules if you had 5.3% and interest income (other than interest from Massachusetts banks), dividends or capital gain income taxed by another jurisdiction. If you use this schedule 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 5.3% income in line 1. You must also substitute Schedule B, line 10 and line 16 (interest and dividend income and taxable 12% capital gains) or Schedule D, line 14 and G (gross long-

term capital gains and losses), but not less than "0," for Form 2, line 7 in line 2 of the schedule, and the total of Form 2, line 16 multiplied by .053 and Form 2, line 32 (tax on interest and dividend income and 12% tax) or line 41 (tax on long-term capital gains) for 5.3% tax in line 4 of the schedule.

**Note:** When using this schedule 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.

## Line 6. Income Tax Paid to Other Jurisdictions

Enter the total tax paid to other jurisdictions on income also reported on this return unless the tax was paid to Canada. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1041, Schedule G, line 2a. Credit is only allowable for amount of tax paid.

## Schedule H. Expenses and Fiduciary Compensation

The Schedule H deductions apply to every executor, administrator, trustee, guardian, conservator, trustee in bankruptcy or receiver of a trust or estate, with the exception of a trustee of a pooled income fund or a trustee of a charitable remainder annuity or unitrust.

Schedule H deductions are specifically allowed by statute and are as follows:

Fiduciaries may take an amortization deduction for premiums paid upon bonds held by the estate or trust, but only if the bond income is taxable.

In addition, fiduciaries may take a deduction for a portion of their expenses for safe deposit box rentals and surety bond premiums. These expenses must have been incurred and actually paid during the tax year covered by the return in order to be allowed as a deduction.

The deduction must be allocated between taxable and nontaxable Part A income, and only the taxable portion is deductible. No deduction is allowed against 5.3% or long-term capital gain income.

The deductible portion is calculated by computing the ratio of **taxable** Part A income, over total **taxable** and **nontaxable** Part A income, from all sources.

Expenses of Trustees in Bankruptcy: Ordinary and necessary business expenses of a trustee in bankruptcy engaged in the business of managing and liquidating a bankrupt estate are deductible against income taxed at 5.3%. The remainder of these expenses may be taken as an excess trade or business deduction against other income as long as

such income is derived from the trustee's investment of liquidated assets. Please note that these expenses are not deductible on Schedule H. They are to be reported on Massachusetts Schedule C-2, and a copy of Massachusetts Schedules C and C-2 must be enclosed to Form 2.

## Part 1. Expense Deduction Computation

**Line 1.** Enter in line 1a the amount actually paid during the taxable year for safe deposit box rentals and in line 1b for premiums on surety bonds. Add lines 1a and 1b, and enter the total in line 1.

**Line 2.** Add Schedule B, line 37 and Form 2, lines 15 and 25. This is your total taxable Part A income for the year.

**Line 3.** Add Schedule B, lines 4, 13, 14, 15 and Form 2, line 25. Then subtract Schedule B, line 6. This is your total Part A income (taxable and nontaxable) for the year. If common trust fund interest and dividends are not included in Schedule B, line 4, add in the amount from Form 2, line 15.

**Line 4.** Divide line 2 by line 3, and enter the percentage here. This is your percentage of taxable Part A income to total Part A income for the year.

**Line 5.** Multiply your total expenses in line 1 by the percentage in line 4, and enter the result here and on Schedule B, line 38a. This is the maximum expense deduction you are allowed against Part A income.

## Part 2. Fiduciary Compensation Deduction Computation

**Line 6.** Enter the fiduciary compensation paid during the taxable year. Please note that none of the following expenses are deductible on Form 2: estate administrative expenses, executor's expenses, executor's commissions, attorney fees, accountant fees and tax preparer fees.

**Line 7.** Enter here the amount from Form 2, line 7. This is your total 5.3% income for the year.

**Line 8.** Add Schedule B, lines 4, 13, 14, 15 and Form 2, line 25. Then subtract Schedule B, line 6. This is your total Part A income (taxable and nontaxable) for the year. If common trust fund interest and dividends are not included in Schedule B, line 4, add in the amount from Form 2, line 15.

**Line 10.** Add lines 7 through 9, and enter the total here.

**Line 11.** Divide line 8 by line 10 and enter the percentage here. This is your percentage of taxable Part A income to total income (5.3% income, Part A income and long-term capital gain income) for the year.

**Line 12.** Multiply line 11 by line 6, and enter the result here. This represents the amount of fiduciary

compensation actually paid on Part A income. Compensation paid on 5.3%, or long-term capital gain income is not deductible.

**Line 13.** Add Schedule B, line 37 and Form 2, lines 16 and 25 and enter the result.

**Line 14.** Enter the amount from line 8. This is your total Part A income (taxable and nontaxable) for the year.

**Line 15.** Divide line 13 by line 14, and enter the percentage here. This is your percentage of taxable Part A income to total Part A income for the year.

**Line 16.** Multiply line 15 by line 12, and enter the result here. This represents the amount of fiduciary compensation actually paid on taxable Part A income. Compensation allocated to nontaxable Part A income is not deductible.

**Line 17.** Enter here 7% of line 13.

**Line 18.** Enter here and on Schedule B, line 38b, the amount from line 16 or 17, whichever is smaller. This is the maximum fiduciary compensation deduction you are allowed to take against Part A income.

## Form 2G. Grantor's/Owner's Share of a Grantor-Type Trust

Massachusetts has adopted the Internal Revenue Code (IRC) grantor-type trust rules as contained in IRC Sections 671 through 678. Massachusetts General Laws (MGL) Ch. 62, sec. 10, as amended by 19976 Acts c. 510. The trustee of a grantor-type trust is required to file Form 2G and send a copy of it to the grantor/owner who is required to report the income, deductions and credits on his/her Massachusetts individual income tax return. A resident grantor or other owner must include grantor-type trust income in calculating his/her estimated tax.

Generally, a grantor-type trust exists when one of the following is present:

- ▶ the trust income is distributable to/or accumulated for the benefit of the grantor or the grantor's spouse;
- ▶ the grantor holds a reversionary interest in the trust which is not postponed beyond a 10-year period;
- ▶ the grantor has the power to revoke the trust in his/her favor;
- ▶ the grantor has the power to control the beneficial enjoyment of the trust corpus or income;
- ▶ the grantor has retained certain administrative powers with respect to the trust; and
- ▶ a person, other than the grantor, has the power to obtain the trust corpus or income.

Fiduciary expenses and compensation are not deductible.

All supporting details, i.e., Schedule D, if you have long-term capital gains or losses must be enclosed. Massachusetts has not adopted IRC Regulation 1.671-4(b) regarding consolidated filing of grantor-type trusts.

### Nonresident Withholding

A trustee is required to deduct and withhold from any income subject to taxation (Massachusetts source income-MGL, Ch. 62, sec. 5A) at the applicable rates when the grantor or other owner is a nonresident. Form 2-ES, Estimated Income Tax Payment Vouchers, and the quarterly payment system is used for this provision. The trustee enters the amounts of payments in line 22, and the nonresident grantor or owner claims such amount paid over by the trustee on his/her return.

### Pooled Income Fund/Charitable Remainder Annuity or Unitrust Withholding

A Massachusetts trustee of a pooled income fund (IRC Section 664(d)), who makes payment to a Massachusetts beneficiary of taxable income is required to deduct and withhold tax on that income at the applicable rates. Form 2-ES, Estimated Income Tax Payment Vouchers, and the quarterly payment system is used for this provision. The trustee enters the amount of payments in line 22, and the beneficiary claims such amount paid over by the trustee on his/her return.

### Extension of Time to File

To receive an extension of time to file, you must file an Application for Extension of Time to File Fiduciary, Partnership or Corporate Trust Return, Form M-8736, and pay the amount of any applicable tax you expect to owe on or before the due date for filing Form 2G.

Select the oval for "Other" in the "Type of Return Filed" section on Form M-8736, and insert "2G" on the line provided. The filing and approval of this form will extend the due date for six months. No extension will be granted in excess of six months for taxpayers within the United States.

### Consolidated Form 2G Filing

If you are required to file more than one Form 2G, you can file on a "consolidated" basis. Use form Form 2 as the cover for the return and select the "Consolidated Form 2G" oval. The signature section must also be completed and signed. Each Form 2G, or preapproved substitute, can then be enclosed with the "consolidated" Form 2 without the requirement of each Form 2G being signed. Mail the Consolidated Form 2G to the same address as Form 2G.

### Due Date of Return

Form 2G is generally due on or before April 15, 2004. If filing on a fiscal year basis, the return is due on or before the 15th day of the fourth month after the close of the fiscal year. Mail Form 2G to: Massachusetts Department of Revenue, PO Box 7017, Boston, MA 02204. Direct fiduciary inquiries (not returns) to: Massachusetts Department of Revenue, Customer Service Bureau, PO Box 7010, Boston, MA 02204, and telephone (617) 887-MDOR.

### Form 20. Beneficiary's Claim of No Tax Status Exemption

Form 20, Beneficiary's Claim of No Tax Status Exemption, is used to apply a beneficiary's No Tax Status exemption on Form 2. If a beneficiary's Massachusetts adjusted gross income exceeds \$8,000, if single; \$12,700, plus \$1,000 per dependent if filing as head of household; or \$14,200, plus \$1,000 per dependent if married filing a joint return, do not complete Form 20. If a beneficiary's Massachusetts adjusted gross income was under the applicable threshold, and after adding in the amount of fiduciary income paid to/or vested in the beneficiary remains below the threshold, then complete Form 20. Otherwise, there is no exemption carryover.

If the beneficiary filed a Massachusetts Individual Income Tax Return, file a complete copy with this Form 20. Otherwise, complete and file Form 1, lines 1 through 26 or Form 1-NR/PY, lines 1 through 30, and Schedules B, D, E, X, Y, Z, NTS-L-NR/PY (Form 1-NR/PY filers only), and C (if applicable) with Form 20.

**Example:** John Taxpayer had \$3,000 in Form 1 Massachusetts adjusted gross income. In addition, he received \$3,500 of dividend income from Y Trust. As the combined income is less than \$8,000, both the \$3,000 of Form 1 and \$3,500 of Form 2 income is exempt from tax. If the Y Trust income paid to the beneficiary was \$5,500, then only the Form 1 income of \$3,000 would qualify for the exemption as the total combined income of \$8,500, would exceed the No Tax Status threshold.

**Line 1, column b.** Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, line 7.

**Line 1, column c.** Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, line 7.

**Line 2, column b.** Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, Schedule B, line 37.

**Line 2, column c.** Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, Schedule B, line 37.

**Line 3, column b.** Enter the amount paid to/or vested in the beneficiary from all other fiduciaries, Form 2, Schedule D, line 20.

**Line 3, column c.** Enter the amount paid to/or vested in the beneficiary from this fiduciary, Form 2, Schedule D, line 20.

**Line 4, column a.** Enter the amount from Form 1, AGI Worksheet, line 7; or Form 1-NR/PY, Schedule NTS-L-NR/PY, line 8.

**Line 4, column b.** Add the amounts in lines 1 through 3, column b, and enter the total here.

**Line 4, column c.** Add the amounts in lines 1 through 3, column c, and enter the total here.

**Line 4, column d.** Add the amounts in line 4, columns a through c, and enter the total here.

If the amount in line 4, column d, exceeds the No Tax Status exemption, there is no carryover amount.

**Beneficiary's declaration.** The beneficiary, or beneficiary's legal guardian, must sign this form.

### To Be Completed By the Trustee or Other Fiduciary

**Line 1.** Enter the beneficiary's share of 5.3% income from Form 2, line 7. Include this amount on Form 2, line 9.

**Line 2.** Enter the beneficiary's share of interest (other than interest from Massachusetts banks) and dividends from Form 2, line 16. Include this amount on Form 2, line 18.

**Line 3.** Enter the beneficiary's share of 12% income from Form 2, line 26. Include this amount on Form 2, line 28.

**Line 4.** Enter the beneficiary's share of long-term capital gain from Form 2, line 35. Include this amount on Form 2, line 37.

### Form 20A. Beneficiary's Claim for Exemptions Applicable to Fiduciary Income

Form 20A, Beneficiary's Claim for Exemptions Applicable to Fiduciary Income, allows a fiduciary to claim any unused exemptions to which a beneficiary is entitled and apply those exemptions against trust or estate income to which that beneficiary is entitled. (These exemptions can only offset fiduciary income which is vested in/or paid to the beneficiary.)

Form 20A must be filed along with a completed Form 1, Resident Income Tax Return, or Form 1-NR/PY, Nonresident or Part-Year Resident Income Tax Return, for each beneficiary who is claiming excess exemptions in the same tax year. U.S. Form 1040, Schedule A, Itemized Deductions,

must also be filed if claiming excess itemized medical and dental expenses. Exemptions must be applied to income in the following order:

First, the exemptions are applied against the Form 1 or 1-NR/PY, **5.3% income**. Next, any unused exemptions are applied against the Form 2, **5.3% income**. Then, any remaining exemptions are then applied against the Form 1 or 1-NR/PY, **Part A income**. Next, any remaining exemptions are applied against the Form 2, **Part A income**. Then, any remaining exemptions are applied against the Form 1 or 1-NR/PY, **long-term capital gain income**. Next, any remaining exemptions are applied against the Form 2, **long-term capital gain income**. **Line 1, column d**. Enter the total exemptions to which this beneficiary is entitled from Form 1, line 2f.

**Line 2, column a**. Enter the total 5.3% income from Form 1, line 17, before any exemptions are applied.

**Line 2, column b**. Enter the total 5.3% income from all other fiduciaries (Form 2, line 18) to which the beneficiary is entitled.

**Line 2, column c**. Enter the total 5.3% income from this fiduciary (Form 2, line 7) to which this beneficiary is entitled.

**Line 2, column d**. Add columns a through c, and enter the total in d.

**Line 3, column a**. Enter the amount of exemptions from line 1, column d, which are being applied against the beneficiary's Form 1, 5.3% income in line 2, column a, from Form 1, line 17.

**Line 3, column b**. Enter the amount of exemptions from line 1, column d, which are being applied against the beneficiary's other 5.3% fiduciary income in line 2, column b, from other fiduciaries' Form 2, line 7.

**Line 3, column c**. Enter the amount of exemptions from line 1, column d, which are being applied against the beneficiary's 5.3% income from this fiduciary (Form 2, line 7).

**Line 3, column e**. Add columns a through c, and enter the total here.

**Line 4, column d**. Subtract line 2, column d, from line 1, column d, and enter the result here. If line 2, column d, is larger than line 1, column d, enter "0." This is the amount of remaining exemptions.

**Line 5, column a**. Enter the total Part A income from Form 1, Schedule B, line 35.

**Line 5, column b**. Enter the total interest (other than interest from Massachusetts banks) and dividend income from all other fiduciaries (Form 2, line 16) to which the beneficiary is entitled.

**Line 5, column c**. Enter the total interest (other than interest from Massachusetts banks) and dividend income from this fiduciary (Form 2, line 16) to which the beneficiary is entitled.

**Line 5, column d**. Add columns a through c, and enter the total in d.

**Line 6, column a**. Enter the amount of exemptions from line 4, column d, which are being applied against the beneficiary's Form 1, Part A income, from line 5, column a.

**Line 6, column b**. Enter the amount of exemptions from line 4, column d, which are being applied against the beneficiary's, interest (other than interest from Massachusetts banks) and dividend income from other fiduciaries' from line 5, column b.

**Line 6, column c**. Enter the amount of exemptions from line 4, column d, which are being applied against the beneficiary's, interest (other than interest from Massachusetts banks) and dividend income from this fiduciary from line 5, column c.

**Line 6, column e**. Add columns a through c, and enter the total here.

**Line 7, column d**. Subtract line 5, column d, from line 4, column d. If line 5, column d is larger than line 4, column d, enter "0." This is the amount of the remaining unused exemptions.

**Line 8, column b**. Enter the total 12% income from all other fiduciaries (Form 2, line 26) to which the beneficiary is entitled.

**Line 8, column c**. Enter the total 12% income from this fiduciary (Form 2, line 26) to which the beneficiary is entitled.

**Line 8, column d**. Add columns b and c, and enter the total in d.

**Line 9, column b**. Enter the amount of exemptions from line 7, column d, which are being applied against the beneficiary's 12% income from other fiduciaries' from line 8, column b.

**Line 9, column c**. Enter the amount of exemptions from line 7, column d, which are being applied against the beneficiary's 12% income from this fiduciary from line 8, column c.

**Line 9, column e**. Add columns b and c, and enter the total here.

**Line 10, column d**. Subtract line 8, column d, from line 7, column d. If line 8, column d is larger than line 7, column d, enter "0." This is the amount of the remaining unused exemptions.

**Line 11, column a**. Enter the total long-term capital gain from Form 1, Schedule D, line 20, before any exemptions are applied.

**Line 11, column b**. Enter the total long-term capital gain from all other fiduciaries (Form 2, Schedule D, line 20) to which the beneficiary is entitled.

**Line 11, column c**. Enter the total long-term capital gain from this fiduciary (Form 2, Schedule D, line 20) to which the beneficiary is entitled.

**Line 11, column d**. Add columns a through c, and enter the total in d.

**Line 12, column a**. Enter the amount of exemptions from line 10, column d, which are being applied against the beneficiary's Form 1, long-term capital gain, from line 11, column a.

**Line 12, column b**. Enter the amount of exemptions from line 10, column d, which are being applied against the beneficiary's long-term capital gain from other fiduciaries' from line 11, column b.

**Line 12, column c**. Enter the amount of exemptions from line 10, column d, which are being applied against the beneficiary's long-term capital gain from this fiduciary from line 11, column c.

**Line 12, column e**. Add columns a through c, and enter the total here.

**Line 13, column d**. Subtract line 11, column d, from line 10, column d. If line 11, column d is larger than line 10, column d, enter "0." This represents the remaining unused exemptions.

**Line 14, column e**. Add column e, line 3, 6, 9 and 12, and enter the total here. This figure represents the total exemptions used.

## Beneficiary's Declaration

The beneficiary, or beneficiary's legal guardian, must sign and date this form.

## For General Tax Information

Please call (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089.

**For help in one of the following specific areas, please call the number listed below:**

- ▶ Certificates of Good Standing (617) 887-6550
- ▶ Installment sales (617) 887-6950
- ▶ Small Business Workshop (617) 887-6400
- ▶ Teletype (TTY): (617) 887-6140
- ▶ Vision-impaired taxpayers are welcome to make an appointment at any DOR office listed on the back cover to receive assistance in preparing their tax forms.

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, please call the Inspectional Services Division's Integrity Hot Line at 1-800-568-0085 or write to PO Box 9568, Boston, MA 02114-9568.

# 2003 Massachusetts Income Tax Table at the 5.3% Rate

Use this table to calculate tax for taxable 5.3% income (line 22) of not more than \$24,000.

**Line 23 instructions:** To find your tax on 5.3% Income (line 23), read down the tax table income column to the line containing the amount you entered in line 22. Then read across to the TAX column and enter this amount in line 23. If your taxable 5.3% income in line 22 is greater than \$24,000, multiply the amount by .053. Enter the result in line 23.

INCOME			INCOME			INCOME			INCOME			INCOME			INCOME		
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$ 1	-\$ 50	\$ 1	\$ 4,000	-\$ 4,050	\$ 213	\$ 8,000	-\$ 8,050	\$ 425	\$12,000	-\$12,050	\$ 637	\$16,000	-\$16,050	\$ 849	\$20,000	-\$20,050	\$1,061
50	100	4	4,050	4,100	216	8,050	8,100	428	12,050	12,100	640	16,050	16,100	852	20,050	20,100	1,064
100	150	7	4,100	4,150	219	8,100	8,150	431	12,100	12,150	643	16,100	16,150	855	20,100	20,150	1,067
150	200	9	4,150	4,200	221	8,150	8,200	433	12,150	12,200	645	16,150	16,200	857	20,150	20,200	1,069
200	250	12	4,200	4,250	224	8,200	8,250	436	12,200	12,250	648	16,200	16,250	860	20,200	20,250	1,072
250	300	15	4,250	4,300	227	8,250	8,300	439	12,250	12,300	651	16,250	16,300	863	20,250	20,300	1,075
300	350	17	4,300	4,350	229	8,300	8,350	441	12,300	12,350	653	16,300	16,350	865	20,300	20,350	1,077
350	400	20	4,350	4,400	232	8,350	8,400	444	12,350	12,400	656	16,350	16,400	868	20,350	20,400	1,080
400	450	23	4,400	4,450	235	8,400	8,450	447	12,400	12,450	659	16,400	16,450	871	20,400	20,450	1,083
450	500	25	4,450	4,500	237	8,450	8,500	449	12,450	12,500	661	16,450	16,500	873	20,450	20,500	1,085
500	550	28	4,500	4,550	240	8,500	8,550	452	12,500	12,550	664	16,500	16,550	876	20,500	20,550	1,088
550	600	30	4,550	4,600	242	8,550	8,600	454	12,550	12,600	666	16,550	16,600	878	20,550	20,600	1,090
600	650	33	4,600	4,650	245	8,600	8,650	457	12,600	12,650	669	16,600	16,650	881	20,600	20,650	1,093
650	700	36	4,650	4,700	248	8,650	8,700	460	12,650	12,700	672	16,650	16,700	884	20,650	20,700	1,096
700	750	38	4,700	4,750	250	8,700	8,750	462	12,700	12,750	674	16,700	16,750	886	20,700	20,750	1,098
750	800	41	4,750	4,800	253	8,750	8,800	465	12,750	12,800	677	16,750	16,800	889	20,750	20,800	1,101
800	850	44	4,800	4,850	256	8,800	8,850	468	12,800	12,850	680	16,800	16,850	892	20,800	20,850	1,104
850	900	46	4,850	4,900	258	8,850	8,900	470	12,850	12,900	682	16,850	16,900	894	20,850	20,900	1,106
900	950	49	4,900	4,950	261	8,900	8,950	473	12,900	12,950	685	16,900	16,950	897	20,900	20,950	1,109
950	1,000	52	4,950	5,000	264	8,950	9,000	476	12,950	13,000	688	16,950	17,000	900	20,950	21,000	1,112
1,000	1,050	54	5,000	5,050	266	9,000	9,050	478	13,000	13,050	690	17,000	17,050	902	21,000	21,050	1,114
1,050	1,100	57	5,050	5,100	269	9,050	9,100	481	13,050	13,100	693	17,050	17,100	905	21,050	21,100	1,117
1,100	1,150	60	5,100	5,150	272	9,100	9,150	484	13,100	13,150	696	17,100	17,150	908	21,100	21,150	1,120
1,150	1,200	62	5,150	5,200	274	9,150	9,200	486	13,150	13,200	698	17,150	17,200	910	21,150	21,200	1,122
1,200	1,250	65	5,200	5,250	277	9,200	9,250	489	13,200	13,250	701	17,200	17,250	913	21,200	21,250	1,125
1,250	1,300	68	5,250	5,300	280	9,250	9,300	492	13,250	13,300	704	17,250	17,300	916	21,250	21,300	1,128
1,300	1,350	70	5,300	5,350	282	9,300	9,350	494	13,300	13,350	706	17,300	17,350	918	21,300	21,350	1,130
1,350	1,400	73	5,350	5,400	285	9,350	9,400	497	13,350	13,400	709	17,350	17,400	921	21,350	21,400	1,133
1,400	1,450	76	5,400	5,450	288	9,400	9,450	500	13,400	13,450	712	17,400	17,450	924	21,400	21,450	1,136
1,450	1,500	78	5,450	5,500	290	9,450	9,500	502	13,450	13,500	714	17,450	17,500	926	21,450	21,500	1,138
1,500	1,550	81	5,500	5,550	293	9,500	9,550	505	13,500	13,550	717	17,500	17,550	929	21,500	21,550	1,141
1,550	1,600	83	5,550	5,600	295	9,550	9,600	507	13,550	13,600	719	17,550	17,600	931	21,550	21,600	1,143
1,600	1,650	86	5,600	5,650	298	9,600	9,650	510	13,600	13,650	722	17,600	17,650	934	21,600	21,650	1,146
1,650	1,700	89	5,650	5,700	301	9,650	9,700	513	13,650	13,700	725	17,650	17,700	937	21,650	21,700	1,149
1,700	1,750	91	5,700	5,750	303	9,700	9,750	515	13,700	13,750	727	17,700	17,750	939	21,700	21,750	1,151
1,750	1,800	94	5,750	5,800	306	9,750	9,800	518	13,750	13,800	730	17,750	17,800	942	21,750	21,800	1,154
1,800	1,850	97	5,800	5,850	309	9,800	9,850	521	13,800	13,850	733	17,800	17,850	945	21,800	21,850	1,157
1,850	1,900	99	5,850	5,900	311	9,850	9,900	523	13,850	13,900	735	17,850	17,900	947	21,850	21,900	1,159
1,900	1,950	102	5,900	5,950	314	9,900	9,950	526	13,900	13,950	738	17,900	17,950	950	21,900	21,950	1,162
1,950	2,000	105	5,950	6,000	317	9,950	10,000	529	13,950	14,000	741	17,950	18,000	953	21,950	22,000	1,165
2,000	2,050	107	6,000	6,050	319	10,000	10,050	531	14,000	14,050	743	18,000	18,050	955	22,000	22,050	1,167
2,050	2,100	110	6,050	6,100	322	10,050	10,100	534	14,050	14,100	746	18,050	18,100	958	22,050	22,100	1,170
2,100	2,150	113	6,100	6,150	325	10,100	10,150	537	14,100	14,150	749	18,100	18,150	961	22,100	22,150	1,173
2,150	2,200	115	6,150	6,200	327	10,150	10,200	539	14,150	14,200	751	18,150	18,200	963	22,150	22,200	1,175
2,200	2,250	118	6,200	6,250	330	10,200	10,250	542	14,200	14,250	754	18,200	18,250	966	22,200	22,250	1,178
2,250	2,300	121	6,250	6,300	333	10,250	10,300	545	14,250	14,300	757	18,250	18,300	969	22,250	22,300	1,181
2,300	2,350	123	6,300	6,350	335	10,300	10,350	547	14,300	14,350	759	18,300	18,350	971	22,300	22,350	1,183
2,350	2,400	126	6,350	6,400	338	10,350	10,400	550	14,350	14,400	762	18,350	18,400	974	22,350	22,400	1,186
2,400	2,450	129	6,400	6,450	341	10,400	10,450	553	14,400	14,450	765	18,400	18,450	977	22,400	22,450	1,189
2,450	2,500	131	6,450	6,500	343	10,450	10,500	555	14,450	14,500	767	18,450	18,500	979	22,450	22,500	1,191
2,500	2,550	134	6,500	6,550	346	10,500	10,550	558	14,500	14,550	770	18,500	18,550	982	22,500	22,550	1,194
2,550	2,600	136	6,550	6,600	348	10,550	10,600	560	14,550	14,600	772	18,550	18,600	984	22,550	22,600	1,196
2,600	2,650	139	6,600	6,650	351	10,600	10,650	563	14,600	14,650	775	18,600	18,650	987	22,600	22,650	1,199
2,650	2,700	142	6,650	6,700	354	10,650	10,700	566	14,650	14,700	778	18,650	18,700	990	22,650	22,700	1,202
2,700	2,750	144	6,700	6,750	356	10,700	10,750	568	14,700	14,750	780	18,700	18,750	992	22,700	22,750	1,204
2,750	2,800	147	6,750	6,800	359	10,750	10,800	571	14,750	14,800	783	18,750	18,800	995	22,750	22,800	1,207
2,800	2,850	150	6,800	6,850	362	10,800	10,850	574	14,800	14,850	786	18,800	18,850	998	22,800	22,850	1,210
2,850	2,900	152	6,850	6,900	364	10,850	10,900	576	14,850	14,900	788	18,850	18,900	1,000	22,850	22,900	1,212
2,900	2,950	155	6,900	6,950	367	10,900	10,950	579	14,900	14,950	791	18,900	18,950	1,003	22,900	22,950	1,215
2,950	3,000	158	6,950	7,000	370	10,950	11,000	582	14,950	15,000	794	18,950	19,000	1,006	22,950	23,000	1,218
3,000	3,050	160	7,000	7,050	372	11,000	11,050	584	15,000	15,050	796	19,000	19,050	1,008	23,000	23,050	1,220
3,050	3,100	163	7,050	7,100	375	11,050	11,100	587	15,050	15,100	799	19,050	19,100	1,011	23,050	23,100	1,223
3,100	3,150	166	7,100	7,150	378	11,100	11,150	590	15,100	15,150	802	19,100	19,1				



# Department of Revenue Resources

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## What kind of help is available

The instructions in the Department of Revenue's tax forms should provide answers to most taxpayer questions. If you have questions about completing your Massachusetts tax form, you can call us at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089 Monday through Friday, between 8:45 a.m. and 5:00 p.m. DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor) is also a valuable resource for tax information 24 hours a day. Thousands of taxpayers use DOR's website to e-mail and receive prompt answers to their general tax inquiries. Interactive applications that allow taxpayers to check the status of their refunds and review their quarterly estimated tax payment histories are available through our website or by calling our main information lines listed above.

## 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 [www.mass.gov/dor](http://www.mass.gov/dor).



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



During the income tax filing season, you can pick up Massachusetts personal income tax forms at your local library or at IRS district offices across the state.



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

## For help in one of the following specific areas

- ▶ Certificates of Good Standing (617) 887-6550
- ▶ Teletype (TTY) (617) 887-6140
- ▶ Vision-impaired taxpayers can contact DOR by calling one of the phone numbers listed above to receive assistance.
- ▶ Upon request, this publication is available in an alternative format. Please send your request to: Office of Affirmative Action, PO Box 9550, Boston, MA 02114-9550 or call (617) 626-3410.
- ▶ Installment Sales (617) 887-6950
- ▶ Small Business Workshop (617) 887-6400

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, call the Inspectional Services Division's Integrity Hot Line at 1-800-568-0085 or write to PO Box 9568, Boston, MA 02114-9568.

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**Massachusetts**

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**Department of**

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**Revenue**

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PO Box 7011

Boston, MA 02204

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## Dear Taxpayer,

Most of the 3.3 million taxpayers who file annual income tax returns with the Massachusetts Department of Revenue receive a refund and we are committed to returning that money to you as fast as we can. That is why we take every opportunity to encourage you to file your tax returns electronically. The quickest way to get your money back is to use our Telefile program, or a DOR-approved commercial software package. You will receive your refund in less than a week. Taxpayers who opt for direct deposit can have their money in the bank even faster. If you use a tax preparation company or professional tax preparer, ask them to electronically file your return and you will benefit from this same quick turnaround.

If you receive a paper return from your tax professional make sure it contains large bar codes to expedite processing. We have worked with software providers to create returns that contain 2-Dimensional (2-D) bar codes. These returns, prepared on a computer, printed and then mailed to DOR, can be processed much faster than hand-prepared paper returns. Please be sure to use only an authorized software package with 2-D bar coding. To view the list of software packages with the 2-D bar codes log on to our website at [www.mass.gov/dor](http://www.mass.gov/dor).

State tax law changes in the past year have affected the taxation of income earned by nonresidents, the Senior Circuit Breaker Credit and the tax rates for capital gains. In addition, some recent federal tax law changes do not apply to Massachusetts. Please refer to the instructions in this booklet for guidance.

The Department of Revenue is dedicated to providing you with prompt and professional customer service. For information or assistance, visit our website or call us at 617-887-MDOR or, toll free in Massachusetts at 800-392-6089. And remember, file electronically.

Sincerely,

A handwritten signature in black ink that reads "Alan LeBovidge". The signature is written in a cursive, flowing style.

Alan LeBovidge  
Commissioner