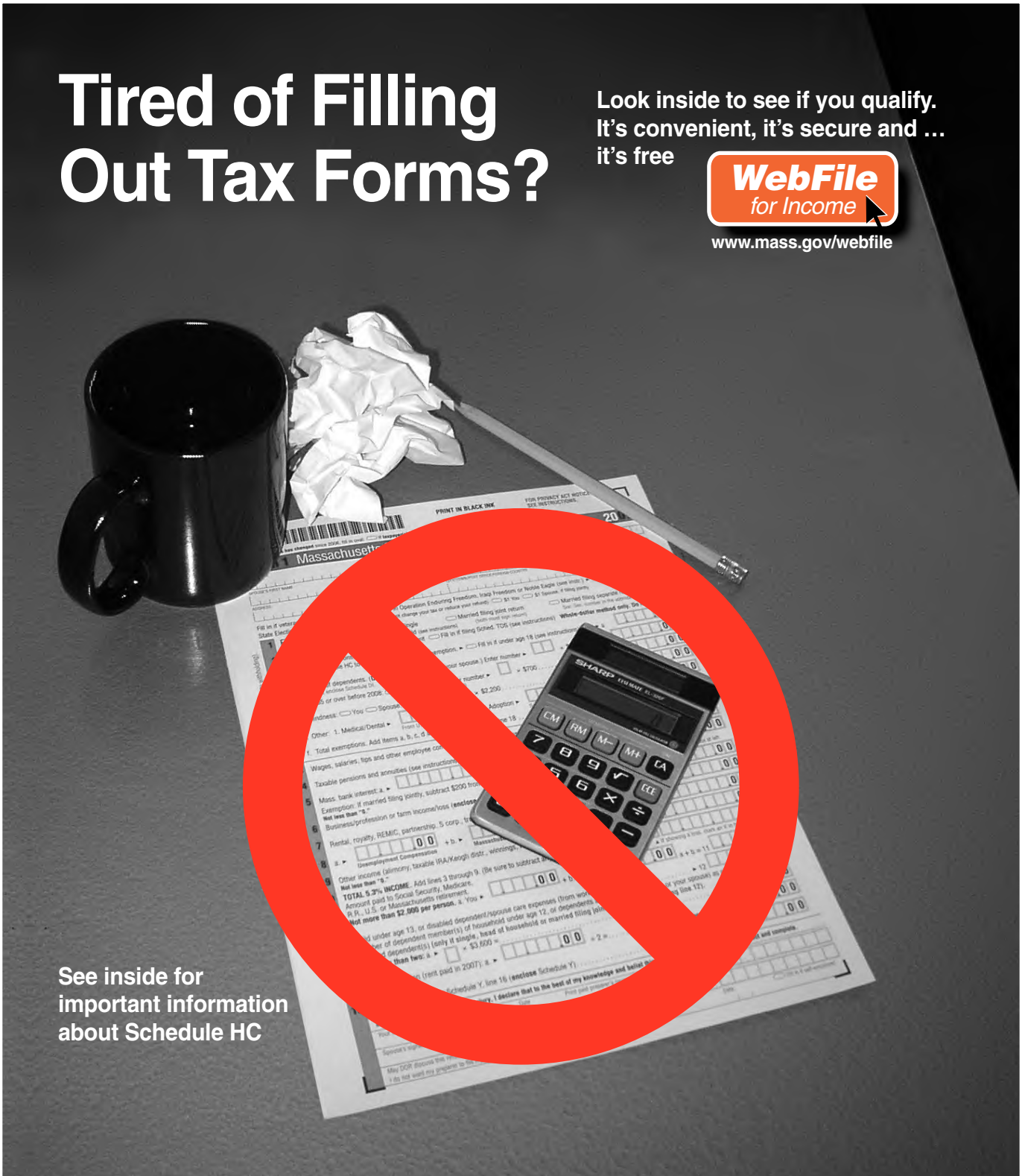
Department of Revenue Commonwealth of Massachusetts

2008 Massachusetts Resident Income Tax Form 1

All Schedules and Instructions including new Schedule HC
Full-Year Residents Only



Schedule HC Information

As a result of the health care reform law, most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable for them. Residents who have access to affordable coverage but do not obtain it may face tax penalties. Schedule HC must be completed to determine if you are subject to a penalty.

Please take a few minutes to read the information below and familiarize yourself with the updated 2008 Schedule HC. Further information can be found in the special health care section at the front of this booklet. These instruction pages are shaded red.

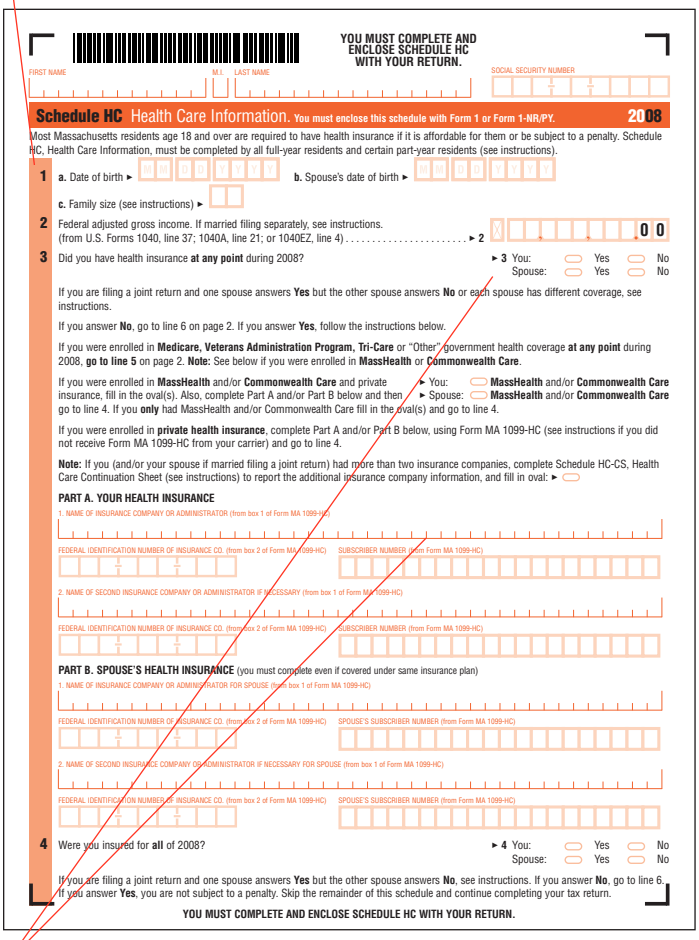
Schedule HC

Massachusetts requires that you file Schedule HC, Health Care Information, with your 2008 tax return.

Completing Your Schedule HC

Taxpayer Information

Print all required information in black ink in the spaces provided.



YOU MUST COMPLETE AND ENCLOSE SCHEDULE HC WITH YOUR RETURN.

FIRST NAME | M.I. | LAST NAME | SOCIAL SECURITY NUMBER

Schedule HC Health Care Information. You must enclose this schedule with Form 1 or Form 1-NR/PY. **2008**

Most Massachusetts residents age 18 and over are required to have health insurance if it is affordable for them or be subject to a penalty. Schedule HC, Health Care Information, must be completed by all full-year residents and certain part-year residents (see instructions).

1 **a.** Date of birth ► M M D D Y Y Y Y **b.** Spouse's date of birth ► M M D D Y Y Y Y

c. Family size (see instructions) ►

2 Federal adjusted gross income. If married filing separately, see instructions. (from U.S. Forms 1040, line 37; 1040A, line 21; or 1040EZ, line 4) ► 2 X .00

3 Did you have health insurance **at any point** during 2008? ► 3 You: Yes No Spouse: Yes No

If you are filing a joint return and one spouse answers **Yes** but the other spouse answers **No** or each spouse has different coverage, see instructions.

If you answer **No**, go to line 6 on page 2. If you answer **Yes**, follow the instructions below.

If you were enrolled in **Medicare, Veterans Administration Program, Tri-Care** or "Other" government health coverage **at any point** during 2008, **go to line 5** on page 2. **Note:** See below if you were enrolled in **MassHealth** or **Commonwealth Care**.

If you were enrolled in **MassHealth** and/or **Commonwealth Care** and private insurance, fill in the oval(s). Also, complete Part A and/or Part B below and then go to line 4. If you **only** had MassHealth and/or Commonwealth Care fill in the oval(s) and go to line 4. ► You: **MassHealth** and/or **Commonwealth Care** ► Spouse: **MassHealth** and/or **Commonwealth Care**

If you were enrolled in **private health insurance**, complete Part A and/or Part B below, using Form MA 1099-HC (see instructions if you did not receive Form MA 1099-HC from your carrier) and go to line 4.

Note: If you (and/or your spouse if married filing a joint return) had more than two insurance companies, complete Schedule HC-CS, Health Care Continuation Sheet (see instructions) to report the additional insurance company information, and fill in oval: ►

PART A. YOUR HEALTH INSURANCE

1. NAME OF INSURANCE COMPANY OR ADMINISTRATOR (from box 1 of Form MA 1099-HC)

FEDERAL IDENTIFICATION NUMBER OF INSURANCE CO. (from box 2 of Form MA 1099-HC) | SUBSCRIBER NUMBER (from Form MA 1099-HC)

2. NAME OF SECOND INSURANCE COMPANY OR ADMINISTRATOR IF NECESSARY (from box 1 of Form MA 1099-HC)

FEDERAL IDENTIFICATION NUMBER OF INSURANCE CO. (from box 2 of Form MA 1099-HC) | SUBSCRIBER NUMBER (from Form MA 1099-HC)

PART B. SPOUSE'S HEALTH INSURANCE (you must complete even if covered under same insurance plan)

1. NAME OF INSURANCE COMPANY OR ADMINISTRATOR FOR SPOUSE (from box 1 of Form MA 1099-HC)

FEDERAL IDENTIFICATION NUMBER OF INSURANCE CO. (from box 2 of Form MA 1099-HC) | SPOUSE'S SUBSCRIBER NUMBER (from Form MA 1099-HC)

2. NAME OF SECOND INSURANCE COMPANY OR ADMINISTRATOR IF NECESSARY FOR SPOUSE (from box 1 of Form MA 1099-HC)

FEDERAL IDENTIFICATION NUMBER OF INSURANCE CO. (from box 2 of Form MA 1099-HC) | SPOUSE'S SUBSCRIBER NUMBER (from Form MA 1099-HC)

4 Were you insured for **all** of 2008? ► 4 You: Yes No Spouse: Yes No

If you are filing a joint return and one spouse answers **Yes** but the other spouse answers **No**, see instructions. If you answer **No**, go to line 6. If you answer **Yes**, you are not subject to a penalty. Skip the remainder of this schedule and continue completing your tax return.

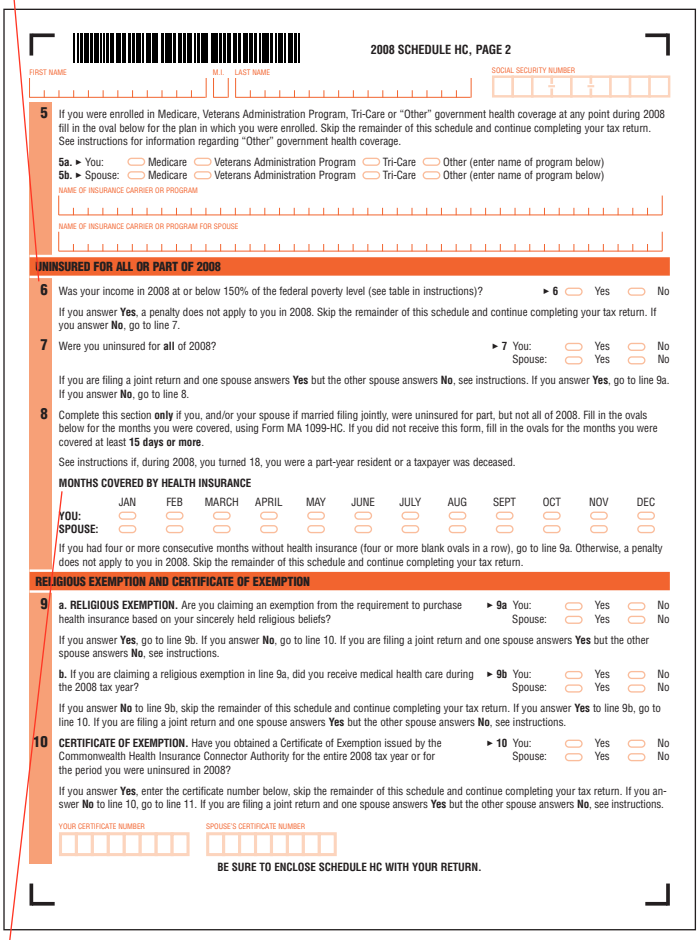
YOU MUST COMPLETE AND ENCLOSE SCHEDULE HC WITH YOUR RETURN.

Health Insurance Information

Be sure you, and your spouse if married filing jointly, complete lines 1, 2 and 3. Most taxpayers will find this information on the Form MA 1099-HC issued by their health insurance carrier.

Federal Poverty Level

If your federal adjusted gross income was at or below 150% of the Federal Poverty Level, a penalty does not apply to you in 2008.



2008 SCHEDULE HC, PAGE 2

FIRST NAME | M.I. | LAST NAME | SOCIAL SECURITY NUMBER

5 If you were enrolled in Medicare, Veterans Administration Program, Tri-Care or "Other" government health coverage at any point during 2008 fill in the oval below for the plan in which you were enrolled. Skip the remainder of this schedule and continue completing your tax return. See instructions for information regarding "Other" government health coverage.

5a. ► You: Medicare Veterans Administration Program Tri-Care Other (enter name of program below)
5b. ► Spouse: Medicare Veterans Administration Program Tri-Care Other (enter name of program below)

NAME OF INSURANCE CARRIER OR PROGRAM

NAME OF INSURANCE CARRIER OR PROGRAM FOR SPOUSE

UNINSURED FOR ALL OR PART OF 2008

6 Was your income in 2008 at or below 150% of the federal poverty level (see table in instructions)? ► 6 Yes No

If you answer **Yes**, a penalty does not apply to you in 2008. Skip the remainder of this schedule and continue completing your tax return. If you answer **No**, go to line 7.

7 Were you uninsured for **all** of 2008? ► 7 You: Yes No Spouse: Yes No

If you are filing a joint return and one spouse answers **Yes** but the other spouse answers **No**, see instructions. If you answer **Yes**, go to line 9a. If you answer **No**, go to line 8.

8 Complete this section **only** if you, and/or your spouse if married filing jointly, were uninsured for part, but not all of 2008. Fill in the ovals below for the months you were covered, using Form MA 1099-HC. If you did not receive this form, fill in the ovals for the months you were covered at least **15 days or more**.

See instructions if, during 2008, you turned 18, you were a part-year resident or a taxpayer was deceased.

MONTHS COVERED BY HEALTH INSURANCE

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
YOU:												
SPOUSE:												

If you had four or more consecutive months without health insurance (four or more blank ovals in a row), go to line 9a. Otherwise, a penalty does not apply to you in 2008. Skip the remainder of this schedule and continue completing your tax return.

RELIGIOUS EXEMPTION AND CERTIFICATE OF EXEMPTION

9 **a. RELIGIOUS EXEMPTION.** Are you claiming an exemption from the requirement to purchase health insurance based on your sincerely held religious beliefs? ► 9a You: Yes No Spouse: Yes No

If you answer **Yes**, go to line 9b. If you answer **No**, go to line 10. If you are filing a joint return and one spouse answers **Yes** but the other spouse answers **No**, see instructions.

b. If you are claiming a religious exemption in line 9a, did you receive medical health care during the 2008 tax year? ► 9b You: Yes No Spouse: Yes No

If you answer **No** to line 9b, skip the remainder of this schedule and continue completing your tax return. If you answer **Yes** to line 9b, go to line 10. If you are filing a joint return and one spouse answers **Yes** but the other spouse answers **No**, see instructions.

10 **CERTIFICATE OF EXEMPTION.** Have you obtained a Certificate of Exemption issued by the Commonwealth Health Insurance Connector Authority for the entire 2008 tax year or for the period you were uninsured in 2008? ► 10 You: Yes No Spouse: Yes No

If you answer **Yes**, enter the certificate number below, skip the remainder of this schedule and continue completing your tax return. If you answer **No** to line 10, go to line 11. If you are filing a joint return and one spouse answers **Yes** but the other spouse answers **No**, see instructions.

YOUR CERTIFICATE NUMBER | SPOUSE'S CERTIFICATE NUMBER

BE SURE TO ENCLOSE SCHEDULE HC WITH YOUR RETURN.

Months Covered by Health Insurance

If you, and/or your spouse if married filing jointly, were uninsured for part, but not all of 2008, fill in the ovals for the months you were covered. Most taxpayers will find this information on the Form MA 1099-HC issued by their health insurance carrier.

Schedule HC

Health Care Information

As a result of the health care reform law, most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable for them.

More information about the health care reform law and how to purchase affordable health insurance is available at the Commonwealth Health Insurance Connector Authority's website at www.mahealthconnector.org.

Special Circumstances During 2008

Note: Schedule HC must be completed and filed even if you fall into a "Special Circumstances" category.

Turning 18. If you turned 18 during 2008, the health care mandate applies to you beginning on the first day of the first full month following your birthday. For example, if your birthday is June 15, the mandate applies on July 1.

Part-year residents. If you moved into Massachusetts during 2008, the health care mandate applies to you beginning on the first day of the first full month following the month you became a resident of Massachusetts. For example, if you moved into Massachusetts on May 14, the mandate applies on June 1.

If you moved out of Massachusetts during 2008, the health care mandate applies to you up until the last day of the last full month you were a resident. For example, if you moved out of Massachusetts on July 10, the mandate applies up to June 30.

Deceased taxpayer. If a taxpayer dies during 2008, the health care mandate applies to the deceased taxpayer up until the last day of the last full month the taxpayer was alive. For example, if a taxpayer dies on August 4, the mandate applies up to July 30.

Lines 1a and 1b. Date of Birth

Enter your date of birth and the date of birth for your spouse (if married filing jointly).

Line 1c. Family Size

Enter your family size, including yourself, your spouse (if living in the same household at any point during the year) and any dependents as claimed on Form 1, line 2b or Form 1-NR/PY, line 4b. If married filing separately and living in the same household at any point during the year, also be sure to include in line 1c any dependents claimed on your tax return and any dependents claimed by your spouse on your spouse's tax return.

Line 2. Federal Adjusted Gross Income

Enter your federal adjusted gross income (from U.S. Form 1040, line 37; Form 1040A, line 21; or Form 1040EZ, line 4). If married filing separately **and** living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this section. Also, same-sex spouses filing a Massachusetts joint return or married filing separately **and** living in the same household must combine their income figures from their separate U.S. returns when completing this section.

Line 3. Health Insurance

You are considered to have been enrolled in a health insurance plan if you had coverage under private health insurance, such as coverage provided by an employer or purchased on your own, or government-sponsored health insurance at any point during 2008.

Note: Receiving services through the Health Safety Net Trust Fund (previously known as the "Uncompensated Care Pool" or "Free Care Pool") is **not** considered health insurance.

◗ If you (and your spouse if married filing jointly) answer **No**, go to line 6 on page 2 of Schedule HC.

◗ If you (and your spouse if married filing jointly) answer **Yes**, follow the instructions below that apply to your situation.

Joint filers. If one spouse answers Yes and the other answers No, the spouse who answered No must go to line 6 on page 2 of Schedule HC; the spouse who answered Yes must follow the instructions below. If you and your spouse had different health insurance coverage (for example, one spouse was covered by Medicare and the other by private insurance), each should follow the instructions below that apply.

◗ If you (and/or your spouse if married filing jointly) were enrolled in **Medicare, Veterans Administration Program, Tri-Care** or "**Other government health coverage**" at any point during 2008, fill in the Yes oval(s) in line 3 and then go to line 5 on page 2 of Schedule HC.

Note: Medicare includes supplemental or replacement plans that you may have purchased on your own.

"Other government health coverage" includes comprehensive government-subsidized plans such as care provided at a correctional facility. "Other" does **not** include the Health Safety Net Trust Fund, formerly known as the "Uncompensated Care Pool" or the "Free Care Pool" or, for purposes of this question, MassHealth or Commonwealth Care.

◗ If you (and/or your spouse if married filing jointly) were enrolled only in **MassHealth** and/or **Commonwealth Care**, fill in the Yes oval(s) in line 3 and the oval(s) for the plan(s) you were enrolled in and go to line 4.

◗ If you (and/or your spouse if married filing jointly) were enrolled in **MassHealth** and/or **Commonwealth Care** and **private insurance** during 2008, such as insurance provided by your employer, fill in the Yes oval(s) in line 3 and the oval(s) for the plan(s) you were enrolled in and complete Part A, Your Health Insurance and/or Part B, Spouse's Health Insurance and then go to line 4.

◗ If you (and/or your spouse if married filing jointly) were enrolled in **MassHealth** and/or **Commonwealth Care** and **Medicare**, fill in the Yes oval(s) in line 3 and then go to line 5 on page 2 of Schedule HC.

◗ If you (and/or your spouse if married filing jointly) were enrolled in **private health insurance**, fill in the Yes oval(s) in line 3 and complete Part A (for you) and/or B (your spouse) using Form(s) MA 1099-HC. This form will be issued to you by your health insurance carrier or administrator, no later than January 31, 2009.

Note: Generally, employees or retirees of the federal, state or local governments have private health insurance and should fill in the Yes oval(s) in line 3 and complete Part A (for you) and/or Part B (your spouse) in line 3 and then go to line 4.

If you and your spouse were enrolled in the same health insurance, you must complete both Part A (for you) and Part B (your spouse) in line 3.

If you did not receive Form MA 1099-HC, enter the name of your insurance carrier or administrator and your subscriber number in Parts A and/or B. This information should be on your insurance card. If you do not know this information, contact your insurer.

Parts A and B allow you (and/or your spouse if married filing jointly) to provide information on up to two insurance carriers each, if you (and/or your spouse if married filing jointly) were covered by multiple insurers in 2008.

If you (and/or your spouse if married filing jointly) had health insurance from more than two insurance carriers, fill out **Schedule HC-CS, Health Care Continuation Sheet**. If you file Schedule HC-CS, report your two most recent insurance carriers first on Schedule HC and use Schedule HC-CS to report the additional insurance carriers for yourself (and/or your spouse if married filing filing jointly). Schedule HC-CS is available on DOR's website at www.mass.gov/dor.

Line 4. Full-Year Coverage

You are considered to have coverage for all of 2008 if you had coverage for each of the 12 months in 2008.

◗ If you are filing a joint return, and one spouse answers **Yes** in line 4 and the other answers **No**, the spouse who answered **Yes** is not subject to a penalty and should skip the remainder of Schedule HC. The spouse who answered **No** must go to line 6.

Table 1: Federal Poverty Level, Annual Income Standards

Family size*	150% FPL
1	$15,612
2	$21,012
3	$26,412
4	$31,812
5	$37,212
6	$42,612
7	$48,012
8	$53,412
additional	+$ 5,400

*This Schedule reflects the Federal Poverty Level standards for 2008

- If you (and your spouse if married filing jointly) answer **No**, go to line 6 on page 2 of Schedule HC.
- If you (and your spouse if married filing jointly) answer **Yes**, you are not subject to a penalty. Skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose Schedule HC with your return.

Line 5. Government-Sponsored Health Insurance

If you (and/or your spouse if married filing jointly) were enrolled in **Medicare, Veterans Administration Program, Tri-Care** or "**Other government health coverage**" at any point in 2008 (see below for definition of "Other"), fill in the appropriate oval(s) for the plan(s) you were enrolled in. You are not subject to a penalty. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return.

Note: Fill in the Medicare oval(s) even if you have a supplemental or replacement plan that you may have purchased on your own.

"**Other government health coverage**" includes comprehensive government-subsidized plans such as care provided at a correctional facility. "**Other**" does **not** include the Health Safety Net Trust Fund, formerly known as the "Uncompensated Care Pool" or the "Free Care Pool" or, for purposes of this question, MassHealth or Commonwealth Care.

Line 6. Federal Poverty Level

Individuals with income at or below 150% of the Federal Poverty Level (FPL) are not subject to a penalty for failure to purchase health insurance. Complete the following worksheet to determine if your income is at or below 150% of the Federal Poverty Level.

1. Enter your federal adjusted gross income from Schedule HC, line 2 . . . . . _____

2. Enter the income amount that corresponds to your family size (as entered on Schedule HC, line 1c) from the 150% FPL column from Table 1 . . . . . _____

If line 1 is less than or equal to line 2, your income in 2008 was at or below 150% of the Federal Poverty Level and the penalty does not apply to you in 2008. Fill in the Yes oval in line 6, skip the remainder of Schedule HC and continue completing your tax return.

If line 1 is greater than line 2, your income in 2008 was above 150% of the Federal Poverty Level. Fill in the No oval in line 6 and go to line 7.

Line 7. Uninsured

You are considered uninsured for all of 2008 if you did not have **any** coverage under **private health insurance** (examples of which include employer-sponsored insurance, Commonwealth Choice plans or COBRA) or **government-sponsored health insurance** (examples of which include MassHealth or Commonwealth Care).

Note: If, during 2008, you turned 18, you were a part-year resident or a taxpayer was deceased, be sure to answer **No** to line 7 and go to line 8.

- If you are filing a joint return and one spouse had health insurance for all of 2008, the spouse who had health insurance does not fill in an oval on line 7. If you are filing a joint return and one spouse answers **No** but the other spouse answers **Yes** on line 7, the spouse who answers **No** must go to line 8 and the spouse who answers **Yes** must go to line 9a.
- If you (and/or your spouse if married filing jointly) answer **No**, go to line 8.
- If you (and/or your spouse if married filing jointly) answer **Yes**, go to line 9a.

Line 8. Months Covered by Health Insurance

Complete this section **only if** you (and/or your spouse if married filing jointly) were insured for part, **but not all**, of 2008. You are considered to have coverage for part of 2008 if you had coverage for at least 1 but less than 12 months.

If you were enrolled in a **private health insurance plan** (such as coverage provided by your employer or purchased on your own) or **government-sponsored health insurance** (examples of which include MassHealth or Commonwealth Care), fill in the oval(s) for the months you were covered, using the information from Form(s) MA 1099-HC.

If you did not receive a Form MA 1099-HC from your insurance carrier, fill in the oval(s) for each month in which you had coverage for **15 days or more**. If you had coverage in any month for 14 days or less, you must leave the oval(s) blank.

Note for MassHealth and Commonwealth Care enrollees: If you did not receive a Form MA 1099-HC and you answered No to line 6, please call MassHealth at 1-866-682-6745 or Commonwealth Care at 1-877-623-6765 for a copy. If you answered Yes to line 6, you do not need to complete this section and you do not need a Form MA 1099-HC.

- If you have **four or more** consecutive months without health insurance (**four or more** blank ovals in a row), go to line 9a. Otherwise, you are not subject to a penalty. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return.
- If you are filing a joint return and one spouse has **three or fewer** blank ovals in a row, and the other spouse has **four or more** blank ovals in a row, the spouse with **three or fewer** blank ovals in a row is **not** subject to a penalty and should skip the remainder of Schedule HC. The spouse with **four or more** blank ovals in a row must go to line 9a.

Special Circumstances During 2008

Note: Schedule HC must be completed and filed even if you fall into a "Special Circumstances" category. Also, **do not count** the months that the mandate did not apply when determining if you have four or more consecutive months without health insurance.

Turning 18. If you turned 18 during 2008, the health care mandate applies to you beginning on the first day of the first full month following your birthday. For example, if your birthday is June 15, the mandate applies on July 1. In this example, do not count the months of January through June because the mandate did not apply.

Part-year residents. If you moved **into** Massachusetts during 2008, the health care mandate applies to you beginning on the first day of the first full month following the month you became **domiciled** in (a resident of) Massachusetts. For example, if you moved into Massachusetts on May 14, the mandate applies on June 1. In this example, do not count the months of January through May because the mandate did not apply.

If you moved **out of** Massachusetts during 2008, the health care mandate applies to you up until the last day of the last full month you were a resident. For example, if you moved **out of** Massachusetts on July 10, the mandate applies up to June 30. In this example, do not count the months of July through December because the mandate did not apply.

Deceased taxpayer. If a taxpayer died during 2008, the health care mandate applies to the deceased taxpayer up until the last day of the last full month the taxpayer was alive. For example, if a taxpayer

died on August 4, the mandate applies up to July 30. In this example, do not count the months of August through December because the mandate did not apply.

Line 9. Religious Exemption

Line 9a. A religious exemption is available for anyone who has a sincere religious belief that is the basis of refusal to obtain and maintain health insurance coverage. Fill in the Yes oval(s) if you are claiming a religious exemption from the requirement to purchase health insurance based on your sincerely held religious beliefs.

- If you (and your spouse if married filing jointly) answer **Yes** to line 9a, go to line 9b.
- If you (and your spouse if married filing jointly) answer **No** to line 9a, go to line 10.
- If you are filing a joint return and one spouse answers **No** to line 9a but the other spouse answers **Yes**, the spouse who answered **Yes** must go to line 9b and the spouse who answered **No** must go to line 10.

Line 9b. If you are claiming a religious exemption but you received medical health care during tax year 2008, such as treatment during an emergency room visit, you may be subject to a penalty if it is determined that you could have afforded health insurance.

Medical health care excludes certain treatments such as preventative dental care, certain eye examinations and vaccinations. It also excludes a physical examination when required by a third party, such as a prospective employer. For additional information, see Department of Revenue regulation 830 CMR 111M.2.1, Health Insurance Individual Mandate; Personal Income Tax Return Requirements, available on the department's website at www.mass.gov/dor.

- If you (and your spouse if married filing jointly) answer **Yes** on line 9a and **No** on line 9b, the penalty does not apply to you. Skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose Schedule HC with your return.
- If you (and your spouse if married filing jointly) answered **Yes** on both lines 9a and 9b, go to line 10.
- If you are filing a joint return and one spouse answers **No** to line 9b but the other spouse answers **Yes** to line 9b, the spouse who answered **No** is not subject to a penalty and should skip the remainder of Schedule HC. The spouse who answered **Yes** must go to line 10.

Line 10. Certificate of Exemption

The Commonwealth Health Insurance Connector Authority provided certificates of exemption to qualified taxpayers who applied in 2008.

- If you have a "**Certificate of Exemption**" issued by the Commonwealth Health Insurance Connector Authority for the 2008 tax year, a penalty does not apply to you. Fill in the **Yes** oval(s) in line 10 of Schedule HC and enter the certificate number in the space provided. If married filing jointly and both spouses have a certificate, each spouse must enter their certificate number in the space provided. Skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose Schedule HC with your return.
- If you answered **No** to line 10, go to line 11.
- If you are filing a joint return and one spouse answers **Yes** to line 10 but the other spouse answers **No** to line 10, the spouse who answered **Yes** must enter the certificate number and skip the remainder of Schedule HC and the spouse who answered **No** must go to line 11.

For more information about Certificates of Exemption, visit the Commonwealth Health Insurance Connector Authority's website at www.mahealthconnector.org.

Lines 11, 12 and 13. Affordability As Determined By State Guidelines

Taxpayers who did not have health insurance for all or part of 2008 may be subject to a penalty if they had access to affordable health insurance.

If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level, or

If you had three or fewer blank ovals in a row as shown in line 8,

you are not subject to a penalty and should skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose Schedule HC with your return.

You must complete this section if you were uninsured for all of 2008 or if you had four or more consecutive months without health insurance (four or more blank ovals in a row in the Months Covered by Health Insurance section of line 8).

The following pages contain the worksheets and tables needed to determine if you had access to affordable health insurance. To complete these worksheets, you will need to have your completed 2008 U.S. Form 1040, 1040A or 1040EZ. You also will need to know how much it would have cost you to enroll in any health insurance plan offered by an employer in 2008. An employer's Human Resources Department should be able to provide this amount to you.

Schedule HC Worksheet for Line 11: Eligibility for Employer-Sponsored Insurance

The following worksheet will determine if you could have afforded employer-sponsored health insurance in 2008. Complete only if you (and/or your spouse if married filing jointly) were eligible for insurance offered by an employer for the entire period you were uninsured in 2008 that covered you, and your spouse and dependent children, if any. If an employer did not offer health insurance that covered you, and your spouse and dependent children, if any, or if you were not eligible for insurance offered by an employer, you were self-employed or you were unemployed, fill in the No oval(s) in line 11 and complete the Schedule HC Worksheet for Line 12.

Note: *If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level or you had three or fewer blank ovals in a row on line 8 of Schedule HC, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return.*

If an employer offered you free health insurance coverage in 2008 (the employer's Human Resources Department should be able to provide this information to you), you are deemed able to afford health insurance and are subject to a penalty. Fill in the Yes oval(s) in line 11 and go to the Health Care Penalty Worksheet on page HC-7.

1. *Enter your federal adjusted gross income from U.S. Form 1040, line 37; Form 1040A, line 21; or 1040EZ, line 4* . . . . . _____

If line 1 is less than or equal to:

- *$15,612 if single or married filing separately with no dependents;*
- *$21,012 if married filing a joint return with no dependents;* ***or***
- *$26,412 if head of household, married filing jointly or married filing separately with one or more dependents,*

you are deemed unable to afford employer-sponsored health insurance requiring an employee contribution. Fill in the No oval(s) in line 11. Skip the remainder of this worksheet and go to the Schedule HC Worksheet for Line 12 on page HC-4.

If line 1 is more than:

- *$52,500 if single or married filing separately with no dependents;*
- *$82,500 if married filing a joint return with no dependents;* ***or***
- *$110,000 if head of household, married filing jointly or married filing separately with one or more dependents,*

continued on next page …

... continued from previous page

you are deemed able to afford employer-sponsored health insurance and are subject to a penalty. Fill in the Yes oval(s) in line 11 and go to the Health Care Penalty Worksheet on page HC-7.

If line 1 is:

- *more than $15,612 but less than or equal to $52,500 if single or married filing separately with no dependents;*
- *more than $21,012 but less than or equal to $82,500 if married filing a joint return with no dependents;* ***or***
- *more than $26,412 but less than or equal to $110,000 if head of household, married filing jointly or married filing separately with one or more dependents,*

go to line 2.

2. *Enter the monthly premium that corresponds with your income range (from line 1 of worksheet) and filing status from Table 3: Affordability on page HC-6. To find this amount, look at the row for your income range in col. a of the appropriate table based on your filing status and go to col. b to find the monthly premium amount . . . . . _____*

3. *Enter the lowest monthly premium cost of health insurance that would cover you, and your spouse and dependent children, if any, offered to you during your uninsured period in 2008 through an employer. The employer's Human Resources Department should be able to provide this amount to you . . . . . _____*

Note: *If you declined employer-sponsored health insurance, the monthly premium amount may be found on the Health Insurance Responsibility Disclosure Form (HIRD) you should have received from your employer.*

If line 3 is less than or equal to line 2:

- *you are deemed able to afford employer-sponsored health insurance during your uninsured period(s), which you did not obtain, and*
- *you are subject to a penalty. Fill in the Yes oval(s) in line 11,* ***and***
- *go to the Health Care Penalty Worksheet on page HC-7.*

If line 3 is greater than line 2:

- *you could not afford health insurance offered to you by your employer,*
- *fill in the No oval(s) in line 11,* ***and***
- *complete the following Schedule HC Worksheet for Line 12.*

Schedule HC Worksheet for Line 12: Eligibility for Government-Subsidized Health Insurance

The following worksheet will determine if you were eligible for government-subsidized health insurance in 2008. Complete the following worksheet only if an employer did not offer you affordable health insurance, as determined in the Schedule HC Worksheet for Line 11.

Note: *If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level or you had three or fewer blank ovals in a row on line 8 of Schedule HC, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return.*

If married filing separately ***and*** *living in the same household, each spouse must combine their income figures from their separate U.S. returns when completing this worksheet. Also, same-sex spouses filing a Massachusetts joint return or married filing separately* ***and*** *living in the same household must combine their income figures from their separate U.S. returns when completing this worksheet.*

1. *Enter your income before adjustments (from U.S. Form 1040, line 22, Form 1040A, line 15 or Form 1040EZ, line 4). . . . _____*

2. *Enter the amount from the Income column, based on your family size (do not include dependent children age 19 or older in your family size), from Table 2. . . . . _____*

If line 1 is greater than line 2:

you were ineligible for government-subsidized health insurance in 2008 and must

- *fill in the No oval(s) in line 12,* ***and***
- *go to Schedule HC Worksheet for Line 13 to determine if you were deemed able to afford private health insurance.*

If line 1 is less than or equal to line 2, and at any point during the period when you were uninsured:

- *you were not a citizen or an alien legally residing in the U.S.,* ***or***
- *an employer offered to pay more than 20% of a family plan or 33% of an individual plan (the employer's Human Resources Department should be able to provide this information to you),* ***or***
- *you applied for MassHealth or Commonwealth Care and were denied,*

you are deemed ineligible for government-subsidized health insurance in 2008 and must

- *fill in the No oval(s) in line 12,* ***and***
- *go to Schedule HC Worksheet for Line 13 to determine if you were able to afford private health insurance.*

If line 1 is less than or equal to line 2, and none of the above conditions apply, then

- *you would have been deemed eligible for government-subsidized health insurance in 2008, which you did not obtain and you are subject to a penalty. You must*
- *fill in the Yes oval(s) in line 12 and go to the Health Care Penalty Worksheet on page HC-7.*

If line 1 is less than or equal to line 2, but you believe that, during the period when you were uninsured, your income was actually too high to qualify for government-subsidized insurance, you may have grounds to appeal the penalty. Fill in the Yes oval(s) in line 12 and go to the instructions for the Appeals section on page HC-8.

Table 2: Income at 300% of the Federal Poverty Level

Family size*	Income
1	$ 31,212
2	$ 42,012
3	$ 52,812
4	$ 63,612
5	$ 74,412
6	$ 85,212
7	$ 96,012
8	$106,812
9	$117,612
10	$128,412
11	$139,212
12	$150,012
13	$160,812

*Include only yourself, your spouse (if married filing a joint return) and any dependent children age 18 or younger in your family size. For family size over 13, add $10,800 for each additional family member.

Schedule HC Worksheet for Line 13: Ability to Afford Private Health Insurance

The following worksheet will determine if you could have afforded private health insurance in 2008. Complete the following worksheet only if you (and/or your spouse if married filing jointly) were deemed ineligible for government-subsidized health insurance, as determined in the Schedule HC Worksheet for line 12.

Note: *If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level or you had three or fewer blank ovals in a row in line 8 of Schedule HC, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your return. Be sure to enclose Schedule HC with your return.*

1. *Enter your federal adjusted gross income from U.S. Form 1040, line 37; Form 1040A, line 21; or 1040EZ, line 4* . . . . . _____

2. *Enter the monthly premium that corresponds with your county of residency (see page HC-9 in the Schedule HC instructions if you do not know what county you live in), age (if married filing a joint return, use the age of the older spouse) and filing status from Table 4: Premiums on page HC-6* . . . . . _____

Go to the table that corresponds to your county of residency and go to the row for your age range and then go to the column based on your filing status to find the monthly premium amount.

3. *Enter the monthly premium that corresponds with your income range (from line 1 of worksheet) and filing status from Table 3: Affordability on page HC-6. To find this amount, look at the row for your income range in col. a of the appropriate table based on your filing status and go to col. b to find the monthly premium amount* . . . . . _____

If line 2 is less than or equal to line 3:

- *you are deemed able to afford private health insurance, which you did not obtain;*
- *you are subject to a penalty and you must*
- *fill in the Yes oval(s) in line 13 and go to the Health Care Penalty Worksheet on page HC-7.*

If line 2 is greater than line 3:

- *you are deemed unable to afford health insurance and* ***not*** *subject to a penalty, and you must*
- *fill in the No oval(s) in line 13* ***and***
- *skip the remainder of Schedule HC and continue completing your tax return. Be sure to enclose Schedule HC with your return.*

Table 3: Affordability

Individual or Married Filing Separately (no dependents)

a. Federal adjusted gross income		b. Monthly premium
From	To	
$ 0	$15,612	$ 0
$15,613	$20,808	$ 39
$20,809	$26,016	$ 77
$26,017	$31,212	$116
$31,213	$37,500	$165
$37,501	$42,500	$220
$42,501	$52,500	$330
$52,501	Any individual with an annual income over $52,500 is deemed to be able to afford health insurance.	

Married Filing Jointly (no dependents)

a. Federal adjusted gross income		b. Monthly premium
From	To	
$ 0	$21,012	$ 0
$21,013	$28,008	$ 78
$28,009	$35,016	$154
$35,017	$42,012	$232
$42,013	$52,500	$297
$52,501	$62,500	$396
$62,501	$82,500	$550
$82,501	Any couple with an annual income over $82,500 is deemed to be able to afford health insurance.	

Head of Household, Married Filing Jointly or Married Filing Separately (1 or more dependents)

a. Federal adjusted gross income		b. Monthly premium
From	To	
$ 0	$ 26,412	$ 0
$26,413	$ 35,208	$ 78
$35,209	$ 44,016	$154
$44,017	$ 52,812	$232
$52,813	$ 70,000	$352
$70,001	$ 90,000	$550
$90,001	$110,000	$792
$110,001	Any family with an annual income over $110,000 is deemed to be able to afford health insurance.	

Table 4: Premiums

Region 1. Berkshire, Franklin and Hampshire Counties

Age	Individual*	Married couple (no dependents)	Family**
0–26	$120	$240	$ 710
27–29	$210	$420	$ 710
30–34	$210	$420	$ 740
35–39	$220	$440	$ 770
40–44	$240	$480	$ 780
45–49	$275	$550	$ 820
50–54	$360	$720	$ 950
55–59	$400	$800	$1,060
60+	$400	$800	$1,140

Region 2. Bristol, Essex, Hampden, Middlesex, Norfolk, Suffolk and Worcester Counties

Age	Individual*	Married couple (no dependents)	Family**
0–26	$140	$280	$ 600
27–29	$195	$390	$ 600
30–34	$195	$390	$ 740
35–39	$195	$390	$ 760
40–44	$250	$500	$ 760
45–49	$250	$500	$ 810
50–54	$290	$580	$ 890
55–59	$390	$780	$1,040
60+	$390	$780	$1,190

Region 3. Barnstable, Dukes, Nantucket and Plymouth Counties

Age	Individual*	Married couple (no dependents)	Family**
0–26	$130	$260	$ 680
27–29	$210	$420	$ 680
30–34	$230	$460	$ 720
35–39	$270	$540	$ 750
40–44	$320	$640	$ 760
45–49	$370	$740	$ 800
50–54	$420	$840	$ 920
55–59	$420	$840	$1,120
60+	$420	$840	$1,280

***Includes married filing separately (no dependents).**
****Head of household or married couple with dependent(s).**

Health Care Penalty Worksheet

Complete the following worksheet to calculate the penalty. If married filing a joint return and both you and your spouse are subject to a penalty, separate worksheets must be filled out to calculate the separate penalty amounts for you and your spouse, using your married filing jointly income. Each separate penalty amount must then be entered on Form 1, line 34a and line 34b or Form 1-NR/PY, line 39a and line 39b.

Note: *If you answered Yes in line 6 of Schedule HC indicating that your income was at or below 150% of the Federal Poverty Level, the penalty does not apply to you. Do not complete this worksheet. Skip the remainder of Schedule HC and continue completing your tax return.*

1. *Enter your federal adjusted gross income from Schedule HC, line 2* . . . . . _____

2. *Look at Table 5, Annual Income Standards, and enter col. A, B, C or D, based on your family size (from line 1c of Schedule HC) and income (from line 1 above)* . . . . . _____

3. *Based on the column entered in line 2, go to Table 6, Penalties for 2008, to determine the monthly penalty amount. Enter that amount here. If you entered col. D, enter the penalty amount that corresponds to your age* . . . . . _____

Note: *See examples at right when completing lines 4 and 5.*

4. *Enter the number of gap(s) in coverage of four or more consecutive months in which you were uninsured, as shown in Sched. HC, line 8*. If you were uninsured for all of 2008, enter "0"* . . . . . _____

5. *Enter the total number of months for the gap(s) in coverage in which you were uninsured from line 4. If you were uninsured for all of 2008, enter "12"* . . . . . _____

6. *Multiply line 4 by "3"*. . . . . _____

7. *Subtract line 6 from line 5*. . . . . _____

8. *Multiply line 3 by line 7. This is your penalty amount* . . . . . _____

Note: *See page 9 of the Form 1 instructions for information regarding the whole-dollar method.*

If you are subject to a penalty because you are deemed able to afford insurance in 2008 but did not obtain it, you may appeal the application of the penalty to you. Go to the Filing an Appeal section on Schedule HC and in the instructions on page HC-8. If you are filing an appeal, do not enter a penalty amount on Form 1, line 34a or line 34b or Form 1-NR/PY, line 39a or line 39b. If you are ***not*** *appealing the penalty, enter the penalty amount from line 8 on Form 1, line 34a or line 34b or Form 1-NR/PY, line 39a or line 39b.*

****Turning 18, Part-Year Residents or a Taxpayer Was Deceased.*** *When completing line 4, do not include the number of unfilled ovals for months that the mandate did not apply, as determined in Schedule HC, line 8.*

Table 5: Annual Income Standards

Family size	Col. A		Col. B		Col. C		Col. D
	From	To	From	To	From	To	Above
1	$15,613	– $20,808	$20,809	– $26,016	$26,017	– $31,212	$31,212
2	21,013	– 28,008	28,009	– 35,016	35,017	– 42,012	42,012
3	26,413	– 35,208	35,209	– 44,016	44,017	– 52,812	52,812
4	31,813	– 42,408	42,409	– 53,016	53,017	– 63,612	63,612
5	37,213	– 49,608	49,609	– 62,016	62,017	– 74,412	74,412
6	42,613	– 56,808	56,809	– 71,016	71,017	– 85,212	85,212
7	48,013	– 64,008	64,009	– 80,016	80,017	– 96,012	96,012
8	53,413	– 71,208	71,209	– 89,016	89,017	– 106,812	106,812
Additional	+ $ 5,400	+ $ 7,200	+ $ 7,200	+ $ 9,000	+ $ 9,000	+ $10,800	+ $10,800

Table 6: Penalties for 2008

Col.	Monthly penalty amount
A	$17.50
B	$35.00
C	$52.50
D-1 (age 18–26)*	$56.00
D-2 (age 27+)*	$76.00

*If you turned 27 on or before December 31, 2008, use the Column D-1 (age 18-26) amount in line 3 of the Health Care Penalty Worksheet.

8 MONTHS COVERED BY HEALTH INSURANCE AS INDICATED BY FILLED-IN OVALS

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
YOU:	●	○	○	○	○	○	●	○	○	○	○	●
SPOUSE:	○	○	○	○	○	○	○	○	○	○	○	○

Example A for Health Care Penalty Worksheet, lines 4 and 5

Single taxpayer enters "2" on line 4 because there were two gaps in coverage of four or more consecutive months (Feb.–June and Aug.–Nov.). Taxpayer then enters "9" in line 5 because the total number of months for those gaps is 9 months.

8 MONTHS COVERED BY HEALTH INSURANCE AS INDICATED BY FILLED-IN OVALS

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
YOU:	●	●	●	○	○	○	○	●	●	●	●	●
SPOUSE:	●	●	●	○	○	○	○	●	●	○	●	●

Example B for Health Care Penalty Worksheet, lines 4 and 5

You are a married filing jointly couple completing separate worksheets. You enter "1" on line 4 because there is only one four-month gap in coverage (April–July). You then enter "4" in line 5 because the total number of months for that gap is 4 months.

Spouse also enters "1" on line 4 because only one of the gaps in coverage was four or more consecutive months (April–July). Spouse then enters "4" in line 5 because the total number of months for that gap is 4 months.

8 MONTHS COVERED BY HEALTH INSURANCE AS INDICATED BY FILLED-IN OVALS

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
YOU:	○	○	○	●	○	○	●	○	○	○	○	○
SPOUSE:	○	○	○	○	○	○	○	○	○	○	○	○

Example C for Health Care Penalty Worksheet, lines 4 and 5

Single taxpayer enters "1" on line 4 because only one of the gaps in coverage was four or more consecutive months (Aug.–Dec.). Taxpayer then enters "5" in line 5 as the total number of months within that gap period is 5 months.

Filing an Appeal

If you are subject to a penalty for not obtaining health insurance in 2008, you have the right to appeal. The appeal will be heard by the Commonwealth Health Insurance Connector Authority, an independent state body.

In your appeal, you may claim that the penalty should not apply to you. You may claim that you could not afford insurance in 2008 because you experienced a hardship. To establish a hardship, you must be able to show that, during 2008:

(a) You were homeless, more than 30 days in arrears in rent or mortgage payments, or received an eviction or foreclosure notice;

(b) You received a shut-off notice, were shut off, or were refused the delivery of essential utilities (gas, electric, oil, water, or telephone);

(c) You had non-cosmetic medical and/or dental out-of-pocket expenses (exclusive of premium payments), totaling more than 7.5% of your household's adjusted gross income that were not subject to payment by a third-party;

(d) You incurred a significant, unexpected increase in essential expenses resulting directly from the consequences of: (i) domestic violence; (ii) the death of a spouse, family member, or partner with primary responsibility for child care, where that spouse, family member, or partner shared household expenses with you; (iii) the sudden responsibility for providing full care for yourself, an aging parent or other family member, including a major, extended illness of a child that required a working parent to hire a full-time caretaker for the child; or (iv) a fire, flood, natural disaster, or other unexpected natural or human-caused event causing substantial household or personal damage for the individual filing the appeal.

(e) Your financial circumstances were such that the expense of purchasing health insurance would have caused you to experience a serious deprivation of food, shelter, clothing or other necessities.

(f) Your family size was so large that reliance on the affordability schedule (on page HC-6) to determine how much you could afford to pay for health insurance is inequitable.

You may also base your appeal on other circumstances, such as the application of the affordability tables in Schedule HC to you is inequitable (for example, due to fluctuation in income during the year), you were unable to obtain government-subsidized insurance despite your income, or other circumstances that made you unable to purchase insurance despite your income.

If you file an appeal, you will be required to state your grounds for appealing, and provide further information and supporting documentation. Any statements and claims you make will be under pains and penalties of perjury.

How to Appeal

To appeal, you must fill in the oval for you (and your spouse, if applicable) on Schedule HC, Appeals Section that authorizes DOR to share information in your tax return, including Schedule HC, with the Commonwealth Health Insurance Connector Authority, the independent state body that will hear the appeal. No penalty will be assessed by DOR pending the outcome of your appeal.

If you (and your spouse) fill in that oval on your return, you will receive a follow-up letter from the Connector Authority asking you to state your grounds for appeal in writing, and submit supporting documentation. **Failure to respond to that form within the time specified will lead to dismissal of your appeal.** The Connector Authority will then review the information you provided. You may be required to attend a hearing on your case. You will be required to state your claims under pains and penalties of perjury.

Note: Do not include any hardship documentation with your original return. You will be required to submit substantiating hardship documentation at a later date during the appeal process.

Important Health Insurance Information

Municipality	County
Abington	Plymouth
Acton	Middlesex
Acushnet	Bristol
Adams	Berkshire
Agawam	Hampden
Alford	Berkshire
Amesbury	Essex
Amherst	Hampshire
Andover	Essex
Arlington	Middlesex
Ashburnham	Worcester
Ashby	Middlesex
Ashfield	Franklin
Ashland	Middlesex
Athol	Worcester
Attleboro	Bristol
Auburn	Worcester
Avon	Norfolk
Ayer	Middlesex
Barnstable	Barnstable
Barre	Worcester
Becket	Berkshire
Bedford	Middlesex
Belchertown	Hampshire
Bellingham	Norfolk
Belmont	Middlesex
Berkley	Bristol
Berlin	Worcester
Bernardston	Franklin
Beverly	Essex
Billerica	Middlesex
Blackstone	Worcester
Blandford	Hampden
Bolton	Worcester
Boston	Suffolk
Bourne	Barnstable
Boxborough	Middlesex
Boxford	Essex
Boylston	Worcester
Braintree	Norfolk
Brewster	Barnstable
Bridgewater	Plymouth
Brimfield	Hampden
Brockton	Plymouth
Brookfield	Worcester
Brookline	Norfolk
Buckland	Franklin
Burlington	Middlesex
Cambridge	Middlesex
Canton	Norfolk
Carlisle	Middlesex
Carver	Plymouth
Charlemont	Franklin
Charlton	Worcester
Chatham	Barnstable
Chelmsford	Middlesex
Chelsea	Suffolk
Cheshire	Berkshire
Chester	Hampden
Chesterfield	Hampshire
Chicopee	Hampden
Chilmark	Dukes
Clarksburg	Berkshire
Clinton	Worcester
Cohasset	Norfolk
Colrain	Franklin
Concord	Middlesex
Conway	Franklin
Cummington	Hampshire
Dalton	Berkshire
Danvers	Essex
Dartmouth	Bristol
Dedham	Norfolk
Deerfield	Franklin
Dennis	Barnstable
Dighton	Bristol
Douglas	Worcester
Dover	Norfolk
Dracut	Middlesex
Dudley	Worcester
Dunstable	Middlesex
Duxbury	Plymouth
East Bridgewater	Plymouth
East Brookfield	Worcester
East Longmeadow	Hampden
Eastham	Barnstable
Easthampton	Hampshire
Easton	Bristol
Edgartown	Dukes
Egremont	Berkshire
Erving	Franklin
Essex	Essex
Everett	Middlesex
Fairhaven	Bristol
Fall River	Bristol
Falmouth	Barnstable
Fitchburg	Worcester
Florida	Berkshire
Foxborough	Norfolk
Framingham	Middlesex
Franklin	Norfolk
Freetown	Bristol
Gardner	Worcester
Gay Head	Dukes
Georgetown	Essex
Gill	Franklin
Gloucester	Essex
Goshen	Hampshire
Gosnold	Dukes
Grafton	Worcester
Granby	Hampshire
Granville	Hampden
Great Barrington	Berkshire
Greenfield	Franklin
Groton	Middlesex
Groveland	Essex
Hadley	Hampshire
Halifax	Plymouth
Hamilton	Essex
Hampden	Hampden
Hancock	Berkshire
Hanover	Plymouth
Hanson	Plymouth
Hardwick	Worcester
Harvard	Worcester
Harwich	Barnstable
Hatfield	Hampshire
Haverhill	Essex
Hawley	Franklin
Heath	Franklin
Hingham	Plymouth
Hinsdale	Berkshire
Holbrook	Norfolk
Holden	Worcester
Holland	Hampden
Holliston	Middlesex
Holyoke	Hampden
Hopedale	Worcester
Hopkinton	Middlesex
Hubbardston	Worcester
Hudson	Middlesex
Hull	Plymouth
Huntington	Hampshire
Ipswich	Essex
Kingston	Plymouth
Lakeville	Plymouth
Lancaster	Worcester
Lanesborough	Berkshire
Lawrence	Essex
Lee	Berkshire
Leicester	Worcester
Lenox	Berkshire
Leominster	Worcester
Leverett	Franklin
Lexington	Middlesex
Leyden	Franklin
Lincoln	Middlesex
Littleton	Middlesex
Longmeadow	Hampden
Lowell	Middlesex
Ludlow	Hampden
Lunenburg	Worcester
Lynn	Essex
Lynnfield	Essex
Malden	Middlesex
Manchester	Essex
Mansfield	Bristol
Marblehead	Essex
Marion	Plymouth
Marlborough	Middlesex
Marshfield	Plymouth
Mashpee	Barnstable
Mattapoisett	Plymouth
Maynard	Middlesex
Medfield	Norfolk
Medford	Middlesex
Medway	Norfolk
Melrose	Middlesex
Mendon	Worcester
Merrimac	Essex
Methuen	Essex
Middleborough	Plymouth
Middlefield	Hampshire
Middleton	Essex
Milford	Worcester
Millbury	Worcester
Millis	Norfolk
Millville	Worcester
Milton	Norfolk
Monroe	Franklin
Monson	Hampden
Montague	Franklin
Monterey	Berkshire
Montgomery	Hampden
Mount Washington	Berkshire
Nahant	Essex
Nantucket	Nantucket
Natick	Middlesex
Needham	Norfolk
New Ashford	Berkshire
New Bedford	Bristol
New Braintree	Worcester
New Marlborough	Berkshire
New Salem	Franklin
Newbury	Essex
Newburyport	Essex
Newton	Middlesex
Norfolk	Norfolk
North Adams	Berkshire
North Andover	Essex
North Attleborough	Bristol
North Brookfield	Worcester
North Reading	Middlesex
Northampton	Hampshire
Northborough	Worcester
Northbridge	Worcester
Northfield	Franklin
Norton	Bristol
Norwell	Plymouth
Norwood	Norfolk
Oak Bluffs	Dukes
Oakham	Worcester
Orange	Franklin
Orleans	Barnstable
Otis	Berkshire
Oxford	Worcester
Palmer	Hampden
Paxton	Worcester
Peabody	Essex
Pelham	Hampshire
Pembroke	Plymouth
Pepperell	Middlesex
Peru	Berkshire
Petersham	Worcester
Phillipston	Worcester
Pittsfield	Berkshire
Plainfield	Hampshire
Plainville	Norfolk
Plymouth	Plymouth
Plympton	Plymouth
Princeton	Worcester
Provincetown	Barnstable
Quincy	Norfolk
Randolph	Norfolk
Raynham	Bristol
Reading	Middlesex
Rehoboth	Bristol
Revere	Suffolk
Richmond	Berkshire
Rochester	Plymouth
Rockland	Plymouth
Rockport	Essex
Rowe	Franklin
Rowley	Essex
Royalston	Worcester
Russell	Hampden
Rutland	Worcester
Salem	Essex
Salisbury	Essex
Sandisfield	Berkshire
Sandwich	Barnstable
Saugus	Essex
Savoy	Berkshire
Scituate	Plymouth
Seekonk	Bristol
Sharon	Norfolk
Sheffield	Berkshire
Shelburne	Franklin
Sherborn	Middlesex
Shirley	Middlesex
Shrewsbury	Worcester
Shutesbury	Franklin
Somerset	Bristol
Somerville	Middlesex
South Hadley	Hampshire
Southampton	Hampshire
Southborough	Worcester
Southbridge	Worcester
Southwick	Hampden
Spencer	Worcester
Springfield	Hampden
Sterling	Worcester
Stockbridge	Berkshire
Stoneham	Middlesex
Stoughton	Norfolk
Stow	Middlesex
Sturbridge	Worcester
Sudbury	Middlesex
Sunderland	Franklin
Sutton	Worcester
Swampscott	Essex
Swansea	Bristol
Taunton	Bristol
Templeton	Worcester
Tewksbury	Middlesex
Tisbury	Dukes
Tolland	Hampden
Topsfield	Essex
Townsend	Middlesex
Truro	Barnstable
Tyngsborough	Middlesex
Tyringham	Berkshire
Upton	Worcester
Uxbridge	Worcester
Wakefield	Middlesex
Wales	Hampden
Walpole	Norfolk
Waltham	Middlesex
Ware	Hampshire
Wareham	Plymouth
Warren	Worcester
Warwick	Franklin
Washington	Berkshire
Watertown	Middlesex
Wayland	Middlesex
Webster	Worcester
Wellesley	Norfolk
Wellfleet	Barnstable
Wendell	Franklin
Wenham	Essex
West Boylston	Worcester
West Bridgewater	Plymouth
West Brookfield	Worcester
West Newbury	Essex
West Springfield	Hampden
West Stockbridge	Berkshire
West Tisbury	Dukes
Westborough	Worcester
Westfield	Hampden
Westford	Middlesex
Westhampton	Hampshire
Westminster	Worcester
Weston	Middlesex
Westport	Bristol
Westwood	Norfolk
Weymouth	Norfolk
Whately	Franklin
Whitman	Plymouth
Wilbraham	Hampden
Williamsburg	Hampshire
Williamstown	Berkshire
Wilmington	Middlesex
Winchendon	Worcester
Winchester	Middlesex
Windsor	Berkshire
Winthrop	Suffolk
Woburn	Middlesex
Worcester	Worcester
Worthington	Hampshire
Wrentham	Norfolk
Yarmouth	Barnstable

What Is E-File?

E-File is filing your state personal income tax return electronically through one of three methods offered by the Massachusetts Department of Revenue (DOR). Last year, more than one million taxpayers electronically filed their state income tax returns in the Commonwealth. On average, they received their refunds in three days. These three methods are:

WebFile for Income

New for Tax Year 2008. The Department introduces WebFile for Income, an online service that allows certain taxpayers to electronically file personal income tax returns directly with DOR, at no cost. WebFile for Income is available through our Web Services for Income application.

How do I begin? Sign up today through DOR's Web Services for Income application to start enjoying the benefits of managing your personal income tax account online. For more information, visit www.mass.gov/dor and click on "Income Tax Services" in the "Online Services" section at the top of the page.

Paid Preparer

Millions of taxpayers have had their returns electronically filed through DOR-approved tax preparers. If your tax preparer does not offer E-File, ask him or her to give it a try!

Note: For tax years beginning on or after January 1, 2005, income tax return preparers who completed 100 or more original Massachusetts Forms 1 and 1-NR/PY, including those E-Filed, during the previous calendar year are required to use electronic means to file all personal income tax returns, unless the taxpayer specifically directs that the filing be on paper and signs Form EFO, Personal Income Tax Declaration of Paper Filing.

If you prefer to file using paper, your preparer must use a DOR-approved tax preparation software package that supports 2-Dimensional (2-D) barcodes. Visit www.mass.gov/dor for a list of approved preparers.

Be sure to use the proper address when mailing your 2-D barcoded return. **Refund/no tax due:** Massachusetts Department of Revenue, PO Box 7001, Boston, MA 02204-7001. **Payment:** Massachusetts Department of Revenue, PO Box 7002, Boston, MA 02204-7002.

Commercial Tax Preparation Software

You can also E-File using DOR-approved commercial tax filing websites or software products. Visit www.mass.gov/dor for a complete listing of approved websites and products. If you prefer to file using a paper copy, you must use a product that incorporates 2-D barcodes into their software. This will expedite the processing of your return. If your software-generated return does not print with a 2-D barcode in the upper right hand corner of all pages, you may have a problem with your printer. To avoid penalties or having your return rejected, contact your software vendor for instructions on how to print the 2-D barcode.

Be sure to use the proper address when mailing your 2-D barcoded return. **Refund/no tax due:** Massachusetts Department of Revenue, PO Box 7001, Boston, MA 02204-7001. **Payment:** Massachusetts Department of Revenue, PO Box 7002, Boston, MA 02204-7002.

Personal Identification Number (PIN)

If you received this booklet in the mail, be sure to retain the PIN printed on the back cover. You will need it to access the Department's telephone and Web-based systems that allow you to check the status of your refund and perform other actions. If you did not get this booklet in the mail and do not have a PIN, you will need the amount of your requested refund or tax due from your 2007 Massachusetts tax return to access these systems. If you are a first-time filer, you will still be able to access these systems without a PIN.

Why Should You E-File?

- **Less stress.** If you E-File you will not have to worry about math errors, missing schedules or other common mistakes which could delay your refund or cause other problems that take time to resolve. And E-File is safe. Plus, you will receive immediate confirmation that serves as proof you filed.
- **Fast refunds.** Whether you E-File in January or mid-April, you will receive your refund, on average, in three days. You also have the option of having your refund deposited directly into your bank account. (Some commercial tax preparation products may not offer direct deposit.)
- **Easy to use.** Whether you file your return, or have your preparer E-File for you, the E-File system walks you through it step by step, and does the calculations for you.
- **Convenient payment options.** If you have a tax due, you can file now and pay later (by April 15, 2009) through Web Services for Income at www.mass.gov/dor or by Electronic Funds Withdrawal. You can also file now and pay later using Form PV, Massachusetts Income Tax Payment Voucher (by April 15, 2009). Form PV is attached to the back of the envelope found in this booklet. If you choose to pay by check, be sure to include Form PV to ensure proper crediting of your account.

Automatic Extension Granted if 100% Tax Due is Paid by Tax Return Due Date

If line 3 of the worksheet below is "0" and 100% of the tax due for 2008 has been paid through:

- withholding;
- timely estimated payments of tax;
- credits from your 2008 return; and
- a refund from the prior tax year applied to the next year's tax liability,

you are no longer required to file Form M-4868, Application for Automatic Extension of Time to File Massachusetts Income Tax Return. However, if you do choose to file Form M-4868 in this instance, you must do so electronically, via DOR's website. See TIR 06-21 for more information.

Also, if you owe no tax or you are making a payment of $5,000 or more, you are required to file your extension via the web. If you are making a payment of less than $5,000, you also have the option of filing your extension electronically. If there is a tax due with your extension, payment can be made through Electronic Funds Withdrawal.

Visit www.mass.gov/dor to file via the Web or to obtain Form M-4868.

Extension Worksheet

1. *Enter amount from Form 1, line 31* . . . . . _____

2. *Enter the total of Form 1, lines 36 through 38 and 40 through 42* . . . . . _____

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

Important Note

At the time this booklet was printed, the IRS had not released final versions of its forms and schedules. Therefore, taxpayers should double-check references to U.S. forms and schedules within this booklet before filing their returns.

Form 1 Checklist

☑ If you received a booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it to use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund.

☑ Have you entered your Social Security number(s) on Form 1?

☑ Have you completed and enclosed all **three** pages of Form 1?

☑ Have you completed and enclosed Schedule HC, Health Care Information?

☑ If you changed your name, did you enclose a copy of your Social Security card or driver's license showing your new name?

☑ Have you, and your spouse if married filing jointly, signed your return at the bottom of page 1 of Form 1?

☑ Have you marked an "X" in any form or schedule box that shows a loss?

☑ Have you completed Schedule DI, Dependent Information, if claiming a dependent exemption on Form 1, line 2b or taking a deduction/credit(s) on Form 1, lines 12, 13 or 40 (if applicable)?

☑ If making a payment, have you enclosed your check and Form PV with your return? Form PV is attached to the back of the envelope found in this booklet. Be sure to use the light blue mailing label when mailing your Form 1 with the Form PV.

Major 2008 Tax Changes

Personal Exemptions Increased

Massachusetts law provides that personal exemptions may increase for tax years beginning on or after January 1, 2004 if tax revenues increase. Applicable for the 2008 tax year, the personal income tax exemptions have increased from $4,125 to $4,400 for single and married filing separately filers, from $6,375 to $6,800 for head of household filers, and from $8,250 to $8,800 for joint filers.

No Tax Status/Limited Income Credit Thresholds

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

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

Head of Household. No tax is imposed if the Massachusetts adjusted gross income (AGI) does not exceed $14,400 plus $1,000 per dependent. Heads of household are eligible for the Limited Income Credit if Massachusetts AGI does not exceed $25,200 plus $1,750 per dependent.

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

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

Duty to Obtain Health Insurance; Penalty for Failure to Obtain Health Insurance

As a result of the Massachusetts Health Care Reform Act (the "Act"), most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable to them. The Act created the Commonwealth Health Insurance Connector Authority (the Connector) to provide access to health insurance for uninsured Massachusetts residents. The Connector is also responsible for setting a schedule of affordability related to coverage, based on the percentage of income eligible to be spent on health care.

Residents who have access to affordable coverage but do not obtain the coverage may face state tax penalties pursuant to G.L. c. 111M, sec. 2. Starting with 2008, adults who can afford health insurance are now required to have coverage each month of the year, although 63-day gaps in coverage are allowed by the Act. The monthly penalties for failing to obtain affordable coverage for taxable year 2008 are set out in TIR 07-18 and are based on half of the minimum monthly insurance premium for which an individual would have qualified through the Connector.

Pursuant to its authority under the Act, the Connector issued Administrative Information Bulletin 02-08 that temporarily extends the permitted, penalty-free gap in health insurance coverage to three months (as opposed to the statutory 63-day gap). Thus, for 2008, adults who lose but then resume their coverage within three or fewer consecutive calendar months will not be subject to tax penalties. Administrative Information Bulletin 02-08 is specifically limited to calendar/tax year 2008.

Schedule HC, Health Care Information, **must** be completed by all full-year residents and certain part-year residents age 18 and over to notify the Department whether or not they had health insurance in each month of 2008. To assist in filling out Schedule HC, taxpayers with private insurance (either purchased on their own or obtained through an employer) or certain government insurance will receive a Form MA 1099-HC, Massachusetts Health Care Coverage, from their health insurance carrier or employer.

Taxpayers who did not have coverage for all of 2008, or had a gap in coverage of four or more consecutive months will need to determine if they had access to affordable health insurance (either through an employer, the government or on their own). The instructions to Schedule HC contain the worksheets and tables to determine whether the taxpayer had access to affordable health insurance. If it is determined that a taxpayer could have afforded health insurance, the taxpayer has the right to appeal the application of the penalty due to hardship by requesting an appeal to the Connector on the Schedule HC. For more information about the appeals process, please see the Schedule HC instructions.

For more information about the health care reform law, including DOR's regulation at 830 CMR 111M.2.1, Health Insurance Individual Mandate; Personal Income Tax Return Requirements, or the Connector's regulation at 956 CMR 6.00, Determining Affordability for the Individual Mandate, see the Connector's website at www.mahealthconnector.org or DOR's website at www.mass.gov/dor.

Circuit Breaker Tax Credit Increased

A credit is allowed to an owner or tenant of residential property located in Massachusetts equal to the amount by which the real estate tax payment or 25% of the rent constituting real estate tax payment exceeds 10% of the taxpayer's total income, not to exceed $930. The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate, which must not exceed $793,000. For tax year 2008, an eligible taxpayer's total income cannot exceed $49,000 for an individual filing single who is not the head of household filer, $62,000 for

head of household filers, and $74,000 for filing a joint return. In order to qualify for the credit, a taxpayer must be age 65 or older and must occupy the property as his or her principal residence. See TIR 08-12 for more information.

Federal Economic Stimulus Payments

Public Law 110-185, § 101 authorized the Internal Revenue Service (IRS) to issue economic stimulus payments to eligible taxpayers. Beginning in April of 2008, the payments were the result of a federal credit treated as a payment against federal income tax. Since the economic stimulus payments are not included in federal gross income, they are not included in Massachusetts gross income and thus not subject to the Massachusetts personal income tax. See TIR 08-5.

New Current Code Provisions

As a general rule, Massachusetts will not adopt any federal tax law changes incorporated into the Internal Revenue Code ("Code") after January 1, 2005. However, certain specific provisions of the personal income tax automatically adopt the current Code.

Provisions of the Code adopted on a current Code basis are (i) Roth IRAs, (ii) Education IRAs, (iii) the exclusion for gain on the sale of a principal residence, (iv) trade or business expenses, (v) travel expenses, (vi) meals and entertainment expenses, (vii) the maximum deferral amount of government employees' deferred compensation plans, (viii) deduction for health insurance costs of self-employed, (ix) medical and dental expenses, (x) annuities, and (xi) health savings accounts. See TIRs 98-8, 02-11, and 07-4 for further details on Massachusetts' personal income tax current Code provisions.

Increased Section 179 Expensing

Effective for the tax year beginning on or after January 1, 2008 and ending on or before December 31, 2008, the Economic Stimulus Act of 2008 (P.L. 110-185) increased the IRC sec. 179 election to expense property in its initial year from $128,000 to $250,000. The federal Act also increased the IRC sec. 179 overall investment limit from $510,000 to $800,000. Massachusetts adopts the increases in this expensing provision given section 179 is a trade or business expense adopted by Massachusetts on a current Code basis.

Tax-Free Distributions from Individual Retirement Accounts

Qualified Charitable Distribution from an Individual Retirement Account ("IRA") IRC sec. 408(d)(8)

The Pension Protection Act of 2006 (P.L. 109-280) allowed taxpayers age 701/2 or greater to make tax-free distributions from traditional and Roth IRAs to qualified charities for the 2006 and 2007 tax years, not to exceed $100,000 per tax year. The exclusion was extended for distributions made in tax years 2008 and 2009 by the Emergency Economic Stabilization Act of 2008 (P.L. 110-343). Massachusetts adopts this exclusion from gross income, including the extension for tax years 2008 and 2009, given this federal Code provision for IRAs is adopted by Massachusetts on a current Code basis. See TIR 06-20 and Schedule X, line 2 for further details.

New Deduction — Not Allowed

Federal "Bonus" Depreciation

The Economic Stimulus Act of 2008 (P.L. 110-185) provides for an additional depreciation deduction, under IRC sec. 168(k), in the placed-in-service year equal to 50% of the adjusted basis of "qualified property." The property must be acquired after December 31, 2007 and before January 1, 2009. As of 2002 legislation, Massachusetts decoupled from bonus depreciation allowed under IRC sec. 168(k), as amended and in effect for the current year. Therefore, Massachusetts does not adopt this additional depreciation deduction. See TIRs 02-11 and 03-25 for further details.

New Exclusion — Not Allowed

Mortgage Forgiveness — IRC sec. 108(a)

The Mortgage Forgiveness Debt Relief Act of 2007 (P.L. 110-142) amended IRC section 108(a) by adding an exclusion for indebtedness that is discharged before January 1, 2010 and is qualified principal residence indebtedness. The Economic Stabilization Act of 2008 extended this exclusion for three years, until January 1, 2013. Massachusetts does not adopt this exclusion or the extension because they were enacted after January 1, 2005.

Extended Deductions — Not Allowed

Massachusetts allows certain federal deductions based on the Internal Revenue Code as amended and in effect on January 1, 2005. Under the January 1, 2005 Code, certain federal deductions due to expire, have now been extended. Massachusetts will not adopt the extensions because they were enacted after January 1, 2005.

Tuition and Fees Deduction — IRC secs. 62(a)(18) and 222

The Emergency Economic Stabilization Act of 2008 extended the federal deduction for qualified higher education expenses to tax years 2008 and 2009. Massachusetts will not adopt this extension because it was enacted after January 1, 2005. However, there is a separate Massachusetts deduction for undergraduate tuition if the total paid exceeds 25% of the taxpayer's Massachusetts adjusted gross income. See TIR 97-13 for additional information.

Educators Deduction — IRC sec. 62(a)(2)(D)

The Emergency Economic Stabilization Act of 2008 extended the federal deduction for certain expenses paid by educators to tax years 2008 and 2009. Massachusetts will not adopt this extension because it was enacted after January 1, 2005.

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.

Common Form 1 Mistakes

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

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

- **Missing Social Security number(s).** Be sure to enter your Social Security number(s) in the spaces provided.
- **Missing Schedule HC.** Be sure you have completed and enclosed Schedule HC, Health Care Information. We cannot process your return without this schedule.
- **Incorrect computation.** The Department corrects many returns each year due to errors in computation. Before mailing your return, check your arithmetic to make sure the computations are correct.
- **Filing status.** Be sure to fill in the correct oval in line 1, Filing Status. This line is frequently overlooked.

◗ **Exemptions.** Be sure that you specify the number of exemptions you are claiming in line 2, items b, c and d. Enter the appropriate number(s) in the small white box(es). **Note:** You must complete Schedule DI, Dependent Information, if claiming a dependent exemption in line 2b.

◗ **Missing pages of Form 1.** Form 1 is **three** pages. Be sure to include all three pages of the return when mailing.

◗ **Missing withholding statement(s).** Be sure the state copy of Form(s) W-2 (Wages), W-2G (Winnings), PWH-WA (Promoter Withholding), 2G, K-1 and any Form 1099 that show Massachusetts income tax withheld are attached with a single staple. These forms are frequently missing and must be obtained later from you in order to process the return.

◗ **Missing supporting schedules.** Be sure all required schedules are enclosed to support the information on your Form 1. These include Massachusetts Schedules HC, X, Y, Z, B, C, C-2, D, DI, E, and CB. We cannot process your return without these forms.

◗ **Government employee pension contributions.** If you were a state, local or county employee and made contributions to a Massachusetts state or local pension plan, your total wages for state purposes will be different from the amount you report on your U.S. return. Report your total state wages from your Form(s) W-2 on Form 1. This is generally box 16 of Form W-2.

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

Also, you must complete Schedule DI, Dependent Information, if you have one or more qualifying children/dependents for the Earned Income Credit.

◗ **Missing signatures.** Thousands of unsigned returns are received by the Department every year. These returns must be returned to the taxpayers for signatures. If a joint return is filed, both spouses must sign the return. Make sure signatures are on the correct lines. Remember to sign your return at the bottom of page 1 of Form 1.

◗ **Missing Form PV.** If you are making a payment, make certain you fill out Form PV, Massachusetts Income Tax Payment Voucher. Form PV is attached to the back of the envelope found in this booklet. Enclose Form PV and your check with your return. Be sure to use the light blue mailing label when mailing your Form 1 with the Form PV. **Note:** Go to www.mass.gov/dor and click on Web Services for Income for online payment options.

Filing Your Massachusetts Return

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

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

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

What Is Gross Income?

Massachusetts gross income includes the following:

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

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

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

Massachusetts gross income does not include:

◗ interest on obligations of the U.S. and U.S. territories;
◗ amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, worker's compensation, gifts, accident or life insurance payments, or certain payments received by Holocaust survivors; and
◗ compensation earned by members of the armed forces for service in a combat zone (excluded to the same extent as under federal law).

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

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

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

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

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

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

See TIR 95-7 for more information regarding resident status. For information on how to file as a part-year resident/nonresident, visit DOR's website at www.mass.gov/dor or call (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

Are Military Personnel Required to File?

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

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

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

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

What Are the Rules for Filing a Joint Return?

A joint Form 1 is not allowed if both spouses were not Massachusetts residents for the same portion of 2008.

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

- a deduction of $3,600 ($7,200 for two or more dependents) for a dependent member of household under age 12, or dependent age 65 or over as of December 31, 2008 (not you or your spouse) or a disabled dependent;
- No Tax Status if joint Massachusetts AGI was $16,400 or less plus $1,000 for each dependent;
- Limited Income Credit if joint Massachusetts AGI is between $16,400 and $28,700 plus $1,750 for each dependent;
- excess unused exemptions against interest income (other than interest from Massachusetts banks), dividends or capital gain income; and
- a senior circuit breaker tax credit which allows senior citizens meeting certain eligibility criteria to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent, and which they occupy as their principal residence. The credit is the amount by which the real estate tax payment or 25% of the rent constituting real estate tax payments exceeds 10% of their total income, but not more than $930. The credit is refundable to the extent the credit exceeds the taxpayer's tax liability.

If your spouse died during 2008, you may still choose to file a joint return.

How Do I File a Decedent's Return?

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

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

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

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

Should I Make Estimated Tax Payments in 2009?

Every resident or nonresident who expects to pay more than $400 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. Estimated tax payments can be made online by using Web Services for Income by visiting www.mass.gov/dor or by filing Massachusetts Form 1-ES. See line 38 instructions and TIR 04-25 for more information.

When to File Your Return

Your Massachusetts Form 1 is due on or before April 15, 2009.

Automatic Extension Granted if 100% Tax Due is Paid by Tax Return Due Date

If line 3 of the Extension Worksheet on page 3 is "0" and 100% of the tax due for 2008 has been paid through:

- withholding;
- timely estimated payments of tax;
- credits from your 2008 return; and
- a refund from the prior tax year applied to the next year's tax liability,

you are no longer required to file Form M-4868, Application for Automatic Extension of Time to File Massachusetts Income Tax Return. However, if you do choose to file Form M-4868 in this instance, you must do so electronically, via DOR's website. See TIR 06-21 for more information.

Also, if you owe no tax or you are making a payment of $5,000 or more, you are required to file your extension via the web. If you are making a payment of less than $5,000, you also have the option of filing your extension electronically. If there is a tax due with your extension, payment can be made through Electronic Funds Withdrawal.

Visit www.mass.gov/dor to file via the Web.

Note: Your extension will not be valid if you fail to pay 80% of your total tax liability through withholding, estimated tax payments or with your extension. Form M-4868 is available at www.mass.gov/dor or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

Must I File on a Calendar Year Basis?

No. You may file on a fiscal year basis if you keep your books and records on that fiscal year basis and if you receive permission from the Commissioner of Revenue. If you file on a fiscal year basis, you must file on or before the fifteenth day of the fourth month after the end of your fiscal year. Taxpayers filing on a fiscal year basis must complete and file Form 13, Notice of Designation of Fiscal Year, available at www.mass.gov/dor or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

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

If, after filing your income tax return, you receive an additional tax statement or discover that an error was made, **do not submit a second tax return**. If corrections are necessary, go to www.mass.gov/dor and use DOR's online abatement application or file Form CA-6, Application for Abatement/Amended Return. Form CA-6 is available at www.mass.gov/dor, or you may have one mailed to you by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

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. You can apply for a small payment agreement by visiting Web Services for Income at www.mass.gov/dor.

Note: Do not mail your request for a payment agreement with your tax return. Requests can be made once a bill is received through DOR's Web Services for Income application at www.mass.gov/dor or by calling the Department at (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089 using the Department's Interaction Voice Response (IVR) system. Setting up a small payment agreement will allow you to make monthly payments within a set time period to meet your unpaid liability.

Name and Address

Print the full name, address, and Social Security number of each person filing the return in the spaces provided. Enter names as they appear on your federal return. Be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You will need it to use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund.

Social Security Number(s)

Be sure to enter your Social Security number(s) on your return. Also, enter your Social Security number on pages 2 and 3 of Form 1 and on page 2 of Schedules B or C, if filed. Failure to show the correct Social Security number in the space provided will delay the processing of your return. If filing jointly, list your numbers in the order they appear on your federal return. Taxpayers filing their U.S. return using an Individual Taxpayer Identification number (ITIN) should enter that ITIN as their Social Security number in the appropriate space. Also, be sure your employer has listed the correct Social Security number on your Form W-2. If you are married, you must list your spouse's Social Security number even if you are filing a separate return.

To apply for an SSN, you must complete Form SS-5. Form SS-5 is available online at www.socialsecurity.gov, from your local Social Security Administration (SSA) office, or by calling the SSA at 1-800-772-1213. It usually takes about 2 weeks to receive an SSN. If you are a nonresident or resident alien and you do not have and are not eligible to get an SSN, you must apply for an ITIN. For details on how to do so, see Form W-7 and its instructions. Form W-7 is available online at www.irs.gov or by calling the IRS at 1-800-829-1040. It usually takes about four to six weeks to receive an ITIN.

Name/Address Change

If you legally changed your name or address in 2008, fill in the oval. If you changed your name, enclose a copy of your Social Security card or driver's license showing your new name. Failure to include this documentation could delay processing of your return. If you move after filing, be sure to leave a forwarding address with your local post office and file a Change of Address Form with the Massachusetts Department of Revenue. This form is available to be filed online at www.mass.gov/dor, or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

Deceased Taxpayer

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

Veterans Benefits

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

Voluntary Contribution to State Election Campaign Fund

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

Noncustodial Parent

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

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

Schedule TDS — Inconsistent Filing Position Penalty

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

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

Under Age 18

If you are under age 18 as of January 1, 2009, be sure to fill in the oval(s).

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

Line 1. Filing Status

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

Single

Fill in the "Single" oval if you were single as of December 31, 2008. This status applies to you if at the close of the taxable year you fit into any of the following categories:

- you were unmarried;
- you were a widow or widower whose spouse died before 2008; or
- you were legally separated under a final judgment of the probate court.

Please note that you are not single if: (1) you have obtained a judgment of divorce which has not yet become final; (2) you have a temporary support order; or (3) you and your spouse simply choose to live apart.

Married Filing Joint Return

Fill in the **"Married filing joint return"** oval if you were legally married as of December 31, 2008. Both spouses are responsible for the accuracy of all information entered on a joint return and both must sign. A joint return is allowed even if only one spouse had income or if one spouse died during 2008. For further information, refer to the section "What Are the Rules for Filing a Joint Return?"

Note: Same-sex spouses filing a Massachusetts joint return should combine their figures from their separate U.S. returns. See TIR 04-17 for more information.

Married Filing Separate Return

Fill in the "**Married filing separate return**" oval if you were legally married as of December 31, 2008, and if you and your spouse are not filing a joint return. Be sure to enter your spouse's Social Security number in the space provided.

Head of Household

Fill in the "**Head of household**" oval if you qualify to file this status federally. This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child who lived with you or your dependent parent. See TIR 04-17 for Massachusetts differences. Certain married people who lived apart from their spouse for the last six months of 2008 may also be able to use this status. See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information, for more information.

Whole Dollar Method Required

The Department of Revenue now requires that the whole dollar method be used for entries made on forms or schedules. For example, amounts between $1.00 and $1.49 should be entered as $1.00 and amounts between $1.50 and $2.00 should be entered as $2.00. However, calculations on worksheets used to reach amounts shown on the return may be made in one of two ways: (1) round amounts before adding them up and enter the resulting total on the form, or (2) add amounts to the penny, and then round to the whole dollar for entry on the form. Either method is acceptable as long as one method is used consistently throughout the return.

Line 2. Exemptions

Line 2a: Personal Exemptions

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

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

Line 2b: Number of Dependents

You may claim a $1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of dependents you listed on U.S. Form 1040, line 6c or U.S. Form 1040A, line 6c. Do not include yourself or your spouse. Then, multiply that total by $1,000 and enter the total amount in line 2b. Be sure to fill out Schedule DI, Dependent Information, if you are claiming a dependent exemption(s). Failure to do so will delay the processing of your return.

Note: In a few cases, the number of dependents claimed for Massachusetts purposes and for U.S. purposes may differ. Massachusetts allows a dependent exemption for each individual who qualifies for exemption as a dependent under sec. 151(c) of the Code. For purposes of sec. 151(c), the definition of dependent in sec. 152 is adopted. Under federal law, there are additional restrictions on the dependent exemption beyond the rules of sec. 152 that are not adopted by Massachusetts. For Massachusetts tax purposes, if an individual qualifies as a dependent under the rules of sec. 152, you can claim a dependent exemption for such a person. If you claim such a dependent in Massachusetts, increase the number reported in item b from your U.S. return by the number of such additional dependents. Also, same-sex joint filers should combine the number of dependents from their federal returns to arrive at the number of Massachusetts dependents. See TIR 04-17 for more information.

Line 2c: Age 65 or Over Before 2009

You are allowed an additional $700 exemption if you were age 65 or over before January 1, 2009. If your spouse was age 65 or over and you are filing a joint return, you may also claim a $700 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of persons age 65 or over in the small box. Multiply that total by $700 and enter the total in line 2c.

Line 2d: Blindness Exemption

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

Legal Definition of Blindness

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

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

You may claim an exemption for medical and dental expenses paid during 2008 only if you itemized these expenses on your U.S. Form 1040, Schedule A. If you are married filing a joint U.S. Form 1040, you must file a joint Massachusetts Form 1 to claim this exemption. Enter in line 2e, item 1 the amount reported on your U.S. Form 1040, Schedule A, line 4.

Note: Same-sex joint filers should recalculate their U.S. Form 1040, Schedule A by combining allowable expenses as reported on U.S. Form 1040, Schedule A, line 1 and their adjusted gross incomes as reported on U.S. Form 1040, Schedule A, line 2 in calculating U.S. Form 1040, Schedule A, line 4.

If you paid adoption fees to a licensed adoption agency during 2008, you are eligible for an exemption of the total amount of the fees paid during the year. Fees paid during 2008 to an agency licensed to place children for adoption on account of the adoption process of a minor child regardless of whether an adoption actually took place during 2008 should also be included for this exemption. Enter this amount in line 2e, item 2.

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

Line 2f: Total Exemptions

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

5.3% Income

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

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

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

Massachusetts Legal Residents Working in a Foreign Country

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

State or Local Employees Contributing to Pension Plans

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

Line 4. Taxable Pensions and Annuities

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

If your pension is not exempt, you should generally enter in line 4 the taxable amount reported on your U.S. Form 1040, line 16b, or U.S. Form 1040A, line 12b. In some cases, however, Massachusetts law requires an adjustment to the federal amount. Distributions from annuity, stock bonus, pension, profit-sharing or deferred payment plans or contracts described in Sections 403(b) and 404 of the U.S. IRC must be adjusted to account for your contributions that have been previously taxed. Subtract from such income (as reported on your U.S. Form 1040, line 16a, or U.S. Form 1040A, line 12a) the amount of your contributions which was previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 4. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, see the instructions for Schedule X, line 2.

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

What pensions are exempt?

- Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions.
- Pensions from other states or its political subdivisions which do not tax such income from Massachusetts or its political subdivisions may be eligible to be deducted from Massachusetts taxable income. This pension income, however, should be reported in line 4. Refer to Schedule Y, line 13 instructions to determine eligibility for this deduction.
- Noncontributory pension income or survivorship benefits received from the U.S. uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the Public Health Service and National Oceanic and Atmospheric Administration) is exempt from taxation in Massachusetts.
- Massachusetts state court judges who were appointed on or after January 2, 1975 are participants in the Massachusetts contributory retirement system and their pensions are nontaxable. State court judges who were appointed prior to January 2, 1975 receive taxable noncontributory pensions.

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

How do I report lump-sum distributions?

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

Lump-sum distributions of qualified employee benefit plans in excess of the employee's contributions which were previously subject to Massachusetts tax (or not previously excluded from Massachusetts tax) must be reported in line 4. Generally, qualified rollovers are not taxable in Massachusetts to the extent they are not taxable on your U.S. return. Lump-sum distributions related to IRA/Keogh and Roth IRA distributions should be reported in line 9.

Rollover from a traditional IRA to a Roth IRA. Taxpayers with $100,000 or less in federal adjusted gross income are allowed to make partial or complete rollovers from existing IRAs to Roth IRAs. Any taxable portion of these rollovers included in federal gross income is also included in Massachusetts gross income, except for amounts previously subject to Massachusetts personal income tax. See Schedule X, line 2 instructions for further details.

Line 5. Interest from Massachusetts Banks

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

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

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

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

Line 6. Business/Profession or Farm Income or Loss

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

Note: U.S. Schedule C is no longer allowed as a substitute for Massachusetts Schedule C. However, you may substitute U.S. Schedule C-EZ for Massachusetts Schedule C if there are no differences between the amounts reported on U.S. Schedule C-EZ and amounts that would be reported on Massachusetts Schedule C. Be sure to write "No Massachusetts Differences" on the top of the U.S. Schedule C-EZ.

If you operate a farm as an individual or cooperative, enter the amount of income or loss from operating a farm from U.S. Schedule F, Profit or Loss from Farming, line 36. Enclose a copy of U.S. Schedule F. Complete a pro-forma U.S. Schedule F to report Massachusetts differences, such as bonus depreciation.

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

For tax years beginning on or after January 1, 2008, any taxpayer with income or loss reported on a Schedule E must file his or her tax return using computer-generated forms produced by third-party software. The tax return may be generated by the taxpayer or by a tax professional. The taxpayer is encouraged, but not required, to submit the return electronically. Paper forms produced using the third-party software product will contain a two-dimensional (2D) bar code and will also be accepted. If the taxpayer hires an income tax preparer to complete the taxpayer's taxes, the preparer must follow the Commissioner's electronic filing rules. See TIR 08-22 for more information.

If you do not have access to a software package when filing your 2008 income tax return, you may file your Schedule E on paper. Visit our website at www.mass.gov/dor to download a paper copy of the 2008 Schedule E (and instructions) to file with your income tax return.

Line 8a. Unemployment Compensation

If you received unemployment compensation, enter in line 8a the amount reported on U.S. Form 1040, line 19; 1040A, line 13; or 1040EZ, line 3. If you elected voluntary withholding of Massachusetts state income taxes on your unemployment compensation, be sure to include the amount of Massachusetts state income tax withheld, as reported on Form 1099-G, on Form 1, line 36 and attach with a single staple, where indicated on the return, Form 1099-G.

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

Line 8b. Massachusetts State Lottery Winnings

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

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

Line 9. Other Income (from Schedule X)

Alimony Received, Taxable IRA/Keogh and Roth IRA Conversion Distributions, Other Gambling Winnings, Fees and Other 5.3% Income

"Other 5.3% income" includes the items listed above and must be included on Schedule X. Enter the total from Schedule X, line 5. Not less than "0." Be sure to enclose Schedule X with your return. Failure to enclose this schedule will delay the processing of your return.

Deductions

Lines 11 through 15

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

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

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

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

If you have paid into any of the retirement systems listed above during 2008, you may deduct those contributions, up to a maximum of $2,000.

Enter in lines 11a and 11b the amount you, and your spouse if filing jointly, paid to Social Security (FICA), Medicare or Railroad Retirement and the U.S. or Massachusetts retirement systems during 2008 as shown on your Form W-2, but not more than $2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Be sure to add any amount of Medicare tax withheld as shown on Form W-2 and any amount of self-employment tax as reported on your U.S. Form 1040 to the amount of Social Security tax withheld, the total not to exceed $2,000 per person.

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

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

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

Massachusetts allows taxpayers to exceed the federal limit on employment-related expenses for the care of a qualified child under the age of 13, a disabled dependent or a disabled spouse. The maximum deduction is $4,800 for one qualifying individual, and $9,600 for two or more qualifying individuals. Complete the following worksheet to calculate your Massachusetts child or disabled dependent/spouse care expense deduction.

Note: You cannot claim this deduction if married filing a separate U.S. 1040 or 1040A return. If you are filing a joint U.S. 1040 or 1040A return but are married filing separately for Massachusetts purposes, either spouse may claim the deduction for expenses he or she incurred, but their combined deduction cannot exceed $4,800 for one qualifying individual or $9,600 for two or more qualifying individuals.

Taxpayers who received dependent care benefits should complete a pro forma U.S. Form 2441 or U.S. Form 1040A, Schedule 2. When completing this pro forma form, taxpayers should enter $4,800 (or $9,600 for two or more qualifying persons) in line 31 of U.S. Form 2441 or line 23 of U.S. Form 1040A, Schedule 2. The amount from this pro forma Form 2441, line 35 or U.S. Form 1040A, Schedule 2, line 27 should then be entered in line 1 of the following worksheet.

Note: Same-sex joint filers should complete a pro forma U.S. Form 2441 or U.S. Form 1040A, Schedule 2. In addition to changing the maximum amount of the deduction allowed on U.S. Form 2441 or U.S. Form 1040A, Schedule 2 (see preceding paragraph), same-sex spouses should prepare the pro forma federal forms as though they were filing a joint federal return. See TIR 04-17 for more information.

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

Use this worksheet to calculate your Massachusetts child under age 13 or disabled dependent/spouse care deduction.

1. *Enter the amount of qualified expenses you incurred and paid in 2008 for a qualifying person(s). This amount may exceed the federal limit of $3,000 for one qualifying person or $6,000 for two or more persons. However, do not enter more than $4,800 for one qualifying person or $9,600 for two or more persons* . . . . . _____

2. *Enter the amount from U.S. Form 2441, line 4, or U.S. Form 1040A, Schedule 2, line 4* . . . . . _____

3. *Enter the amount from U.S. Form 2441, line 5, or U.S. Form 1040A, Schedule 2, line 5* . . . . . _____

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

5. *If you paid 2007 expenses in 2008, enter the amount of the allowed 2007 expenses used to compute the credit on U.S. Form 2441, line 9, or U.S. Form 1040A, Schedule 2, line 9. Otherwise, enter "0"* . . . . . _____

6. *Add lines 4 and 5. Not to exceed more than $4,800 for one qualifying person or $9,600 for two or more persons. Enter here and in Form 1, line 12* . . . . . _____

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

Line 13. Dependent Member(s) of Household Under Age 12, or Dependents Age 65 or Over (not you or your spouse) as of December 31, 2008, or Disabled Dependent

You may deduct $3,600 for a dependent member of household, or $7,200 for two or more dependents, under age 12, or dependent age 65 or over (not you or your spouse) as of December 31, 2008, or disabled dependent. Enter the number of qualified dependents in line 13a, not to exceed two, and multiply that amount by $3,600. Enter the result in line 13. Only if single, head of household or married filing jointly. You cannot claim this deduction if married filing a separate return.

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

Line 14. 50% Rental Deduction

You may be entitled to a rental deduction equal to one-half (50%) of the rent you paid during 2008 (up to a maximum of $3,000 per return) for your principal residence in Massachusetts. Enter the total amount of qualified rent paid by you during 2008 in line 14a. Divide line 14a by 2 and enter the result, **or $3,000** ($1,500 if married filing a separate return) — **whichever is smaller** — in line 14.

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

What Qualifies for the Rental Deduction?

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

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

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

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

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

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

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

Line 15. Other Deductions (from Schedule Y)

Enter the total from Schedule Y, line 16. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

Line 17. 5.3% Income After Deductions

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

Line 19. 5.3% Income After Exemptions

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

If line 18 exceeds line 17 and you received interest income (other than interest from Massachusetts banks), dividends or capital gain income, complete the worksheet for Schedule B, line 36 and Schedule D, line 19, if applicable. All others proceed to line 20.

Line 20. Interest and Dividend Income

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

Enter in line 20 the amount from Schedule B, line 38. If not required to file Schedule B, enter dividend income of $1,500 or less (from U.S. Form 1040 or 1040A, line 9a) in line 20.

Tax on 5.3% Income

Line 22. 5.3% Tax (from Tax Table)

Based upon the amount in line 21, find the proper amount of tax in the blue table at the back of this booklet. Enter the tax in line 22. If line 21 is more than $24,000, multiply the amount in line 21 by .053 and enter the result in line 22. You must use the tax table if line 21 is $24,000 or less.

Note: Personal income tax forms must provide an election to voluntarily pay tax at a rate of 5.85% on taxable income which would otherwise be taxed at a rate of 5.3%. The election to pay tax at the rate of 5.85% does not apply to items of income taxed at 12% (short-term capital gains and gains on collectibles). If choosing the optional 5.85% tax rate, multiply line 21 and Schedule D, line 20 by .0585 and fill in the oval.

12% Income &Tax

Line 23. 12% Income from Certain Capital Gains

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

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

Tax on Long-Term Capital Gains

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

Enter in line 24 the amount from Schedule D, line 21, **but not less than "0."** To determine if you need to file Schedule D, refer to the Schedule D instructions in this booklet.

Schedule B, Line 36 and Schedule D, Line 19 Worksheet — Exemptions from Interest and Dividend Income, 12% Income and Long-Term Capital Gain Income (Only if Single, Head of Household, or Married Filing Jointly)

If your total exemptions in line 18 are more than the amount of your 5.3% income after deductions in line 17, the excess may be applied against all your interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. Complete the following worksheet only if line 17 is less than line 18 to determine if you qualify for the excess exemption. Enter all losses as "0."

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

2. *Enter amount from Form 1, line 18* . . . . . _____

3. *Enter amount from Form 1, line 17* . . . . . _____

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

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

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

7. *Enter Schedule D, line 18. Not less than "0"* . . . . . _____

8. *Excess exemptions applied against long-term capital gain income. If line 7 is larger than line 6, enter line 6 here and in Schedule D, line 19. If line 6 is equal to or larger than line 7, enter line 7 here and in Schedule D, line 19* . . _____

Excess Exemptions

If excess exemptions were used in calculating lines 20, 23 or 24 (see Schedule B, line 36 and/or Schedule D, line 19), be sure to fill in the oval in line 24.

Line 25. Credit Recapture Amount

If any Brownfields Credit (BC), Economic Opportunity Area Credit (EOA), Low Income Housing Credit (LIH) or Historic Rehabilitation Credit (HR) property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to your tax on Form 1. Complete and enclose Schedule H-2, Credit Recapture. Schedule H-2 is available at www.mass.gov/dor or by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089.

Massachusetts Adjusted Gross Income (AGI)

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

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

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

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

Massachusetts AGI

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

- wages, salaries, tips;
- taxable pensions and annuities;
- pension income from another state or political subdivision before any deduction;
- taxable IRA/Keogh and Roth IRA distributions;
- fees and unemployment compensation;
- income or loss from a business or profession;
- income or loss from partnerships, S corporations and trusts;
- rents, royalties and REMIC income;
- alimony and other 5.3% income;
- interest from Massachusetts banks before exemptions; and
- other interest, dividends, and capital gains.

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

Massachusetts AGI Worksheet

1. *Enter your total 5.3% income from Form 1, line 10. Not less than "0"** . . . . . _____

2. *Enter the total of Schedule Y, lines 1 through 10.* . . . . . _____

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

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

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

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

6. *Enter the amount from Schedule D, line 18.** Not less than "0"* . . . . . _____

7. *Add lines 3 through 6* . . . . . _____

continued on next page …

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If you are single and the total in line 7 is $8,000 or less, you qualify for No Tax Status (see line 26 instructions). If you are single but do not qualify for No Tax Status, and your total in line 7 is $14,000 or less, complete line 27 and see line 28 instructions for the Limited Income Credit. If you are filing as head of household or married filing a joint return, compare line 7 with the No Tax Status/Limited Income Credit chart to see if you may qualify for No Tax Status or the Limited Income Credit.

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

***If filing Schedule D-IS, Installment Sales, see the Schedule D-IS instructions for the amount to enter in line 6. Schedule D-IS and instructions are available on DOR's website at www.mass.gov/dor.*

Line 26. No Tax Status

If you qualify for No Tax Status, fill in the oval in line 26, enter "0" in line 27 and omit lines 28 through 30. Also, enter "0" in line 31 and complete Form 1. However, if there is an amount entered in line 25, Credit Recapture Amount, enter that amount in line 27 and complete lines 29 and 30.

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

Line 27. Total Tax

Add line 22 (5.3% tax), line 23 (12% tax), line 24 (tax on long-term capital gains) and line 25 (credit recapture amount). Enter the total in line 27.

Line 28. Limited Income Credit

Line 28 Worksheet — Limited Income Credit (Only if Single, Head of Household, or Married Filing Jointly)

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

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

3. *Subtract line 2 from line 1*. . . . . _____

4. *Enter in line 4 the amount of tax from Form 1, line 27* . . . . . _____

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

6. *If line 4 is smaller than line 5, you are not eligible for this credit. Enter "0." If line 4 is larger than line 5, subtract line 5 from line 4 and enter the result here and in line 28 on Form 1*. . . . . _____

Line 29. Other Credits (from Schedule Z)

Enter the total from Schedule Z, line 14. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return.

Line 32. Voluntary Contributions

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

a. Endangered Wildlife Conservation: The Natural Heritage and Endangered Species Fund is administered by the Division of Fisheries and Wildlife. Contributions are used to protect and restore rare and endangered wildlife and plants, and their habitats. This fund has helped restore and conserve in the Commonwealth populations of the Bald Eagle, Hessel's Hairstreak Butterfly, the Redbelly Turtle and the Plymouth Gentian.

b. Organ Transplant Fund: The Organ Transplant Fund is administered by the Massachusetts Department of Public Health. All contributions received by the Fund assist patients with the costs of medications without which they might lose their transplanted organs.

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

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

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

Add items a, b, c, d and e and enter the total in line 32.

Line 33. Massachusetts Use Tax Due On Out-of-State Purchases Made in 2008

A 5% Massachusetts use tax is due on your taxable purchases of tangible personal property purchased for use in Massachusetts on which you did not pay Massachusetts sales or use tax. These include, but are not limited to, purchases made out-of-state, on the Internet or from a catalog, where no Massachusetts sales tax was paid. The use tax does not apply to out-of-state purchases that are exempt from the sales tax (for example, clothing that costs $175 or less). Examples of taxable items include computers, furniture, jewelry, cameras, appliances, and any other item that is not exempt.

No Tax Status/Limited Income Credit Chart

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

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

If you qualify for No Tax Status, see the instructions for line 26. If you may qualify for the Limited Income Credit, go to line 27 and complete the worksheet for line 28.

Generally, anyone who pays a sales or use tax to another state or territory of the United States on tangible personal property to be used in Massachusetts is entitled to a credit against the Massachusetts use tax, up to 5%. This credit is allowed for sales or use tax paid to another state only if that state has a corresponding credit similar to the Massachusetts credit. See TIR 03-1 for more information. Prepare and retain with your records a list of your purchases in 2008 that are subject to the Massachusetts use tax.

Taxpayers may use the following table to self-report a "safe-harbor" amount of use tax based on their Massachusetts adjusted gross income. A taxpayer may pay this amount in lieu of the actual amount of use tax that would otherwise be due with respect to such purchases. Individual taxpayers electing to report use tax under this method will not be assessed additional use tax on audit, even if the actual amount of use tax due would have been greater than the amount from the schedule.

The estimated liability applies only to purchases of any individual items each having a total sales price of less than $1,000. For each taxable item purchased at a sales price of $1,000 or greater, the actual use tax liability for each purchase must be added to the amount of the estimated liability derived from the table below. See TIR 04-26.

*Mass. AGI per return**	*Use tax liability*
$ 0 – $ 25,000	*$ 0*
25,001 – 40,000	*15*
40,001 – 60,000	*25*
60,001 – 80,000	*35*
80,001 – 100,000	*45*
Above $100,000	*Multiply Mass. AGI* by .0005*

** From line 7 of Massachusetts AGI worksheet.*

Complete the following worksheet to calculate your use tax if you are not self-reporting a "safe-harbor" amount. For more information about use tax, visit DOR's website at www.mass.gov/dor.

Form 1, Line 33 Worksheet — Use Tax Due on Out-of-State Purchases

1. *Total of purchases in 2008 subject to Massachusetts use tax* . . . . . _____

2. *Use tax. Multiply line 1 by .05 (5%)* . . . . . _____

3. *Credit for sales/use tax paid to other states or jurisdictions. Add the amount of any sales/use tax paid to another state or jurisdiction, or 5% of the sales price, whichever is less, on each purchase reported in line 1* . . . . . _____

4. *Total amount due. Subtract line 3 from line 2. Not less than "0." Enter the result here and on Form 1, line 33* . . . . . _____

Line 34. Health Care Penalty

If you are subject to the Health Care Penalty for 2008 and are not appealing the application of the penalty, enter the penalty amount from the line 8 of the Penalty Worksheet on page HC-7 in line 34a for you and/or line 34b for your spouse.

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

Line 36. 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, PWH-WA (promoter withholding), 2G, K-1 and certain 1099s, if applicable. Enter the total of all Massachusetts withholdings in line 36. Attach, with a single staple, state copies to your return; otherwise your claim of amounts withheld will not be allowed. If you have lost your state copy, ask the payer for a duplicate. Copies of 1099s need only be attached if they show an amount for Massachusetts tax withheld.

Line 37. 2007 Overpayment Applied to Your 2008 Estimated Tax

Include the exact amount of any 2007 overpayment you applied to your 2008 estimated taxes on your 2007 Massachusetts Form 1, line 44 or Form 1-NR/PY, line 49. Do not include any 2007 refund in this line.

Line 38. 2008 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income tax for 2008, enter in line 38 the total of all Massachusetts estimated tax payments. Be sure to include any last quarter (of 2008) payment made on or before January 15, 2009. Do not include any 2007 overpayment applied to your 2008 estimated tax. Every resident who expects to pay more than $400 in Massachusetts income tax on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes. Estimated tax payments can be made online by using Web Services for Income by visiting www.mass.gov/dor or by filing Massachusetts Form 1-ES.

Income which is not subject to withholding includes:

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

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

If you wish to verify estimated tax payments that have already been made, check the Estimated Tax Payment History Application at www.mass.gov/dor. You will need to know the PIN that appeared on the back of your Form 1 booklet or the amount of last year's refund or balance due to access your account.

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

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

Line 39. Payments Made with Extension

If you filed Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, for 2008 on or before April 15, 2009, enter in line 39 the amount you paid with Massachusetts Form M-4868.

Line 40. Earned Income Credit

The earned income credit is a tax credit for certain taxpayers who work and have earned income under $41,646. Taxpayers who qualify for and claim the federal earned income credit are allowed a refundable credit equal to 15% of the federal amount. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. You must enter the number of qualifying children, if any, in line 40a. Then, enter the federal earned income credit amount from your U.S. Form 1040, line 64a, 1040A, line 40a; or 1040EZ, line 8a. Multiply this amount by .15 (15%) and enter the result in line 40. Be sure to fill out Schedule DI, Dependent Information, if you are claiming this

credit for one or more qualifying children/dependents. Failure to do so will delay the processing of your return.

If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of that amount before making an entry in line 40. If you have not received your earned income credit amount as computed by the IRS by April 15, 2009, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See page 3 for information about filing your extension via the Web. For more information about the federal earned income tax credit, see IRS publication 596, available at www.irs.gov.

Line 41. Senior Circuit Breaker Credit

Certain senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is $930 for the tax year beginning January 1, 2008. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. To determine if you qualify for this credit, refer to the Senior Circuit Breaker Credit instructions in this booklet.

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

Line 42. Refundable Film Credit

Motion picture production companies qualify to elect a refundable film credit if they have not transferred or carried forward a portion of the film credit for the production/certificate number to be refunded. Transferees of the film credit do not qualify for the refundable film credit. Transferees should claim their film credit on Schedule Z, line 8.

Note: If an election to refund the film credit for a production/certificate number is made, the entire film credit remaining after reducing tax liability and other credits will be refunded at 90%. A motion picture production company that elects to claim a refund of the film credit is not permitted to seek a partial refund and a partial transfer or carryover of the credit. However, the refund can be applied as an estimated payment for the subsequent tax year.

Enter in line 42 any amount of refundable film credit from Schedule RFC, Refundable Film Credit, line 5.

Refund Amount

Line 44. Overpayment

If line 35 is smaller than line 43, subtract line 35 from line 43 and enter the result in line 44. This is the amount of your overpayment. If line 35 is larger than line 43, go to line 47. If line 35 and line 43 are equal, enter "0" in line 46.

Line 45. Amount of Overpayment You Want Applied to Your 2009 Massachusetts Estimated Tax

Enter the amount of your 2008 overpayment that you wish to apply to your 2009 Massachusetts estimated tax. Once an election is made to apply your overpayment to your 2009 estimated tax, it cannot be refunded later or applied to any additional tax you may owe for 2008. The amount entered in this line can only be claimed as a credit on your 2009 Massachusetts return.

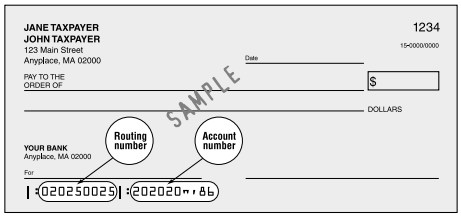
Line 46. Refund Amount

Subtract line 45 from line 44. Enter the result in line 46. This is the amount of your refund.

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

Direct Deposit

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



The routing number of your financial institution is nine digits and begins with 01 through 12 or 21 through 32. The account number can be up to 17 characters (both numbers and letters). Omit hyphens, spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. You **must enter** the routing number and the account number in the spaces provided in line 46 if you are requesting direct deposit. Failure to do so will result in your request for direct deposit being denied. See sample check for location of this information.

Tax Due

Line 47. Tax Due

If line 35 is larger than line 43, subtract line 43 from line 35, and enter the result in line 47. This is the amount of tax you owe with your return. Pay in full with your return. Go to Web Services for Income at www.mass.gov/dor for online payment options. If you need to mail your payment, make your check or money order payable to the Commonwealth of Massachusetts and write your Social Security number on the front of your check or money order in the lower left corner. Complete and remove Form PV, Massachusetts Income Tax Payment Voucher, attached to the back of the envelope included in this booklet. Enclose the check and Form PV with your return. Form PV **must** be included with your check to ensure proper crediting of your account. Be sure to use the light blue mailing label when mailing your Form 1 with the Form PV.

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

If you owe any interest, penalty or addition for the underpayment of estimated tax, add those amounts to the tax you owe and enter the total amount in line 47.

What Are Interest and Penalties?

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

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

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

Penalty for Protested ("Bad") Check: If your check is not honored by your bank because of insufficient funds or any other reason, a penalty may be added of $30 or the amount of the check, whichever is less.

Addition for Underpayment of Estimated Tax: You will generally be subject to this addition to tax if you did not have withholding and/or estimated payments equal to 80% of the total tax liability required to be paid and your 2008 tax due after cred-

its and withholding is greater than $400. The 80% requirement is reduced to 66⅔% for individuals who receive two-thirds of their income from fishing or farming. If you failed to meet these requirements, you must complete and enclose Massachusetts Form M-2210 to calculate the amount you must add to line 47. You do not have to complete Form M-2210 if the balance due with your return is $400 or less.

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

- you are a qualified farmer or fisherman and are paying the full amount of the tax due on or before March 1, 2009;
- you were a Massachusetts resident and were not liable for 2007 taxes (where the taxable year was 12 months); or
- the sum of your estimated payments and withholding equals or exceeds your 2007 total tax due (where the taxable year was 12 months and a return was filed).

If you qualify for one of these exceptions, please fill in the oval marked "EX" under line 47 on Form 1 and enclose Form M-2210 indicating which of the exceptions applies to your circumstances.

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

- the underpayment was because of casualty or disaster; or
- during 2007 or 2008 you retired after reaching age 62 or became disabled and the underpayment was due to reasonable cause and not willful neglect.

If you think you qualify for one of these waivers, go to www.mass.gov/dor and use DOR's online application for abatement/amended return at www.mass.gov/dor or enclose Form M-2210 and an explanatory statement with your return and fill in the oval marked "EX" under line 47. If your waiver is not for all four installments, complete Form M-2210 to calculate the underpayment penalty for the installments which are not covered by the waiver. Form M-2210 is available by visiting www.mass.gov/dor.

Penalty for Failure to Report Federal Change: If the U.S. Internal Revenue Service changes your income for a prior year (generally through audit), file an online application for abatement/amended return at www.mass.gov/dor within one year of the final federal determination to avoid this penalty. This penalty is equal to 10% of the additional tax due or $100, whichever is smaller. If the change indicates a refund, file an online application for abatement/amended return within one year, including acceptance of an amended federal return by the Internal Revenue Service. Form CA-6, Application for Abatement, can also be downloaded from DOR's website at www.mass.gov/dor.

Sign Here

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

Note: Be sure to include all **three** pages of Form 1, as well as Schedule HC.

Attach to your Form 1, with a single staple, all state copies of your Forms W-2, W-2G, PWH-WA, 2G and any Forms 1099 which included Massachusetts withholding. If making a payment, be sure to enclose Form PV with your Form 1. Form PV is attached to the back of the envelope found in this booklet. Form PV **must** be included with your check to ensure proper crediting of your account. Make your check or money order payable to Commonwealth of Massachusetts and be sure to sign the check and write your Social Security number on it. Also, be sure to use the light blue mailing label when mailing your Form 1 with the Form PV.

Paid Preparer Must Sign Your Return

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

Paid Preparer Authorization

If you want to allow the Massachusetts Department of Revenue (DOR) to discuss your 2008 tax return with the paid preparer who signed it, fill in the "Yes" oval in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Paid Preparer" section of your return. It does not apply to the firm, if any, shown in that section.

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

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

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

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2009 tax return. This is April 15, 2010 for most people.

E-File Opt Out

For tax years beginning on or after January 1, 2005, income tax return preparers who completed 100 or more original Massachusetts Forms 1 and 1-NR/PY, including those E-filed, during the previous calendar year are required to use electronic means to file all personal income tax returns, unless the taxpayer specifically directs on the paper form that the filing be on paper and signs Form EFO, Personal Income Tax Declaration of Paper Filing. Fill in oval if you do not want your preparer to file your return electronically. See TIR 04-30 for more information.

Mailing

If you are expecting a refund or if you have no tax due, use the white mailing label on the back of the envelope that came with this booklet. If you do not have one, mail Form 1 to: **Massachusetts Department of Revenue, PO Box 7000, Boston, MA 02204-7000.** If using a tax software product, be sure to use the correct PO box. See page 3.

If you have a tax due, use the light blue mailing label on the back of the envelope that came with this booklet. If you do not have one, mail Form 1 to: **Massachusetts Department of Revenue, PO Box 7003, Boston, MA 02204-7003.** If using a tax software product, be sure to use the correct PO box. See page 3.

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

Schedule DI

Dependent Information

Be sure to enclose with Form 1.

You must complete this schedule if you are claiming a dependent exemption(s) on Form 1, line 2b or taking a deduction/credit(s) on Form 1, lines 12, 13 or 40 (if applicable). Failure to provide this information will delay the processing of your return. You must complete the information for each dependent.

In the spaces provided, enter the name, Social Security number, date of birth and the relationship of the dependent to you (son, daughter, mother, father, etc.). Also, if the dependent is a qualifying child for the Earned Income credit, fill in the "Yes" oval. If you are claiming more than 10 dependents, attach a statement listing the name, Social Security number, date of birth and the relationship of the dependent to you and if the dependent is a qualifying child for the Earned Income credit.

Schedule X

Other Income

Be sure to enclose with Form 1.

Line 1. Alimony Received

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

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

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

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

Massachusetts generally adopts the federal conversion rules for partial or complete rollovers from existing IRAs to Roth IRAs. Generally, the rollover amount is treated as a distribution and included in federal gross income to the extent it is attributable to investment growth or previously deducted contributions. See TIR 98-8, *Massachusetts 1998 Reducing Income Taxes Act*, for further details.

Note: Massachusetts adopts the federal exclusion for qualified charitable distributions from IRAs and Roth IRAs, including the extension for tax years 2008 and 2009. Not to exceed $100,000 per tax year. See TIR 06-20, The Pension Protection Act of 2006: Charitable IRA Distributions, for further information.

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

Complete this worksheet to report conventional IRA/Keogh distributions, qualified charitable IRA distributions or Roth IRA conversion distributions.

1. *Total IRA/Keogh plan distributions, qualified charitable IRA deductions, Roth IRA conversion distributions in 2008* . . . . . _____

2. *Total IRA/Keogh plan contributions previously taxed by Massachusetts* _____

3. *Total distributions received in previous years* . . . . . _____

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

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

6. *Total qualified charitable IRA distributions in 2008 included in line 1* . . . . . _____

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

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

Line 3. Other Gambling Winnings

Enter in Schedule X, line 3 all gambling winnings from casinos, raffles, races, beano or other events of chance, wherever held, and winnings from non-Massachusetts lotteries. Do not enter less than "0." You may only deduct the price of the winning ticket. Gambling losses are not deductible under Massachusetts law. Gambling losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

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

Line 4. Fees and Other 5.3% Income

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

- All fee income, such as payments for jury duty, election worker payments, director's fees, compensation received as executor or administrator of an estate, and commission income or tips not reported in line 3 of Form 1 are taxable. Also, report all bartering income not reported on Schedule C (the fair market value of goods or services received in payment for your services).
- All prizes and awards won in a quiz program, drawing, beauty contest, etc. are taxable at fair market value. Awards and bonuses received from your employer for performance of services not part of a qualified award plan are also taxable.
- Forgiveness of debt and mortgage forgiveness.
- Other Massachusetts 5.3% income reported on U.S. Form 1040, line 21 and not reported elsewhere in Form 1, lines 3 through 8 or Schedule X, lines 1 through 3 must be reported in line 4 of Schedule X.
- Pre-1996 installment sales classified as ordinary income for Massachusetts purposes (from Massachusetts Schedule D, line 9) are taxed as 5.3% income and must be reported on line 4 of Schedule X.
- Embezzled or other income from illegal activities is taxable and should be reported on Schedule X, line 4.

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

- Any "net operating loss" reported as a negative amount on U.S. Form 1040, line 21 cannot be entered on Schedule X. A net operating loss from a business or profession cannot be carried forward or backward to offset individual income in any other year under Massachusetts law.
- Refunds of U.S. and Massachusetts income taxes are not considered income under Massachusetts law. If you received interest on refunds, report such interest on Massachusetts Schedule B.

Schedule Y

Other Deductions

Be sure to enclose with Form 1.

Line 1. Allowable Employee Business Expenses

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

Employees may deduct the following:

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

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

- you itemize deductions;
- if you filed a joint U.S. return, you must file a joint Massachusetts return; and
- your unreimbursed business expenses taken together with the other miscellaneous itemized deductions reported on U.S. Form 1040, Schedule A, lines 21, 22 and 23 exceed 2% of your federal adjusted gross income reported on U.S. Form 1040, Schedule A, line 26. See the following worksheet for Schedule Y, line 1.

If you are a qualified performing artist or a fee-basis state or local government official, do not complete the worksheet. Enter on Schedule Y, line 9 your federally deductible business expenses included on U.S. Form 1040, line 24 and fill in the appropriate oval in Schedule Y, line 9.

Note: Same-sex joint filers should recalculate their U.S. Form 1040, Schedule A by combining allowable expenses as reported on U.S. Form 1040, Schedule A, lines 24 and 28 and their adjusted gross incomes as reported on U.S. Form 1040, Schedule A, line 25 in calculating U.S. Form 1040, Schedule A, line 27. Same-sex joint filers should also recalculate their US. Form 2106 or 2106-EZ by combining allowable expenses as reported on U.S. Form 2106, lines 4, 9b and 10 or U.S. Form 2106-EZ, lines 4, 5 and 6. See TIR 04-17 for more information.

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

1. *Enter the amount from U.S. Form 2106, line 10, or 2106-EZ, line 6* . . . . . _____

2. *If you are an employee other than an outside salesperson, enter the amount of unreimbursed expenses included in U.S. Form 2106 or 2106-EZ, line 4* . . . . . _____

3. *If you are an employee other than an outside salesperson, enter the amount of unreimbursed meals and entertainment expenses included in U.S. Form 2106, line 9, column B or 2106-EZ, line 5, except for meals incurred while away from home.* . . . . . _____

4. *If you are an individual with a disability, enter the amount of impairment-related expenses included in line 1 and claimed on line 28 of U.S. Schedule A* . . . . . _____

5. *Add lines 2 through 4. Enter the result here* . . . . . _____

6. *Subtract line 5 from line 1. Enter the result here* . . . . . _____

7. *Enter the amount from U.S. Schedule A, line 27* . . . . . _____

8. *Enter the smaller amount of line 6 or line 7 here and on Schedule Y, line 1* . . . . _____

Line 2. Penalty on Early Savings Withdrawal

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

Line 3. Alimony Paid

Enter in Schedule Y, line 3 the total amount that you paid to your former spouse during 2008 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, line 31a.

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

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

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

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

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

Line 5. Moving Expenses

Enter in Schedule Y, line 5 the amount from U.S. Form 1040, line 26.

Line 6. Medical Savings Account

Enter in Schedule Y, line 6 the amount of the Medical Savings Account deduction included in U.S. Form 1040, line 36 "MSA Write-In Adjustment."

Line 7. Self-Employed Health Insurance

Enter in Schedule Y, line 7 the amount from U.S. Form 1040, line 29.

Note: If you elected to claim the federal credit under sec. 35 and had to reduce the amount on U.S. Form 1040, line 29 by the amount of the federal credit, you may add back the amount of the credit to the amount entered on U.S Form 1040, line 29.

Line 8. Health Savings Accounts

Enter in Schedule Y, line 8 the amount from U.S. Form 1040, line 25.

Line 9. Other Qualified Deductions

You may claim **only** the deductions listed below for Schedule Y, line 9. If you are entitled to claim any of the deductions in line 9, fill in the appropriate oval(s) and enter the total amount of deductions claimed in line 9.

- **Certain qualified deductions from U.S. Form 1040. Do not include** any amounts reported on U.S. Form 1040, lines 23 through 35 that are included in Form 1040, line 36 total. Enter **only** amounts included in U.S. Form 1040, line 36 as a write-in adjustment, **except** amounts contributed to sec. 501(c)(18) pension plans. For Massachusetts purposes, contributions to sec. 501(c)(18) pension plans are not deductible. Also, the IRC sec. 404 deduction for contributions on behalf of IRC sec. 401(c)(1) employees (sole proprietors and partners) is disallowed. See TIR 02-18 (I)(D) and DOR Directive 01-7 for more information.

On the dotted line next to line 9, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 36. Identify reforestation amortization as "RFST"; repayment of supplemental unemployment benefits under the Trade Act of 1974 as "Sub-Pay TRA"; attorney fees and court costs involving certain unlawful discrimination claims as "UDC"; and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 4 from the rental of personal property engaged in for profit as "PPR." Fill in the appropriate oval in line 9 of Schedule Y.

- **Jury duty pay you gave to your employer.** Enter the amount of jury duty pay you gave to your employer included in U.S. Form 1040, line 36 and fill in the appropriate oval in line 9 of Schedule Y.

- **Business Expenses of National Guard and Reserve Members, Performing Artists and Fee-Based Government Officials:** Enter the amount from U.S. Form 1040, line 24 and fill in the appropriate oval in line 9 of Schedule Y.

Line 10. Student Loan Interest Deduction

Enter the amount from U.S. Form 1040, line 33 or 1040A, line 18. This deduction is only allowed if not claiming the same expenses in line 12 of Schedule Y, Undergraduate Student Loan Interest Deduction.

Note: Same-sex joint filers must use the "Student Loan Interest Deduction" worksheet in the instructions to U.S. Form 1040 or 1040A making sure to combine their income figures, and performing the calculation as though they were filing a joint federal return. See TIR 04-17 for more information.

Line 11. College Tuition Deduction

A deduction is allowed for tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college leading to an undergraduate or associate's degree, diploma or certificate. Tuition payments for students pursuing graduate degrees at such a college or university are not eligible for the college tuition deduction. The deduction is equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of Massachusetts AGI. Qualified tuition expenses include only those expenses designated as tuition or mandatory fees required for the enrollment or attendance of the taxpayer or any dependent of the taxpayer at an eligible educational institution. No deduction is allowed for any amount paid for room and board, books, supplies, equipment, personal living expenses, meals, lodging, travel or research, athletic fees, insurance expenses or other expenses unrelated to an individual's academic course of instruction. Complete the Massachusetts AGI Worksheet and the Schedule Y, line 11 worksheet to see if you may qualify for this deduction. See TIR 97-13 for more information.

Schedule Y, Line 11 Worksheet — College Tuition Deduction

1. *Enter total tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college in 2008* . . . . . _____

2. *Enter amount of scholarships, grants or financial aid received in 2008 for amounts shown in line 1* . . . . . _____

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

4. *Enter amount from line 7 of the Massachusetts AGI Worksheet* . . . _____

5. *Multiply line 4 by .25*. . . . . _____

6. *If line 3 is smaller than line 5, you are not eligible for this deduction. Enter "0." If line 3 is larger than line 5, subtract line 5 from line 3 and enter the result here and in line 11 on Schedule Y* . . . . . _____

Line 12. Undergraduate Student Loan Interest Deduction

A deduction is allowed for interest paid on a qualified undergraduate student loan. To be eligible for the deduction, the "education debt" must be a loan that is administered by the financial aid office of a two-year or four-year college at which you, or a qualified dependent, were enrolled as an undergraduate student. Additionally, the loan must have been secured through a state student loan program, a federal student loan program, or a commercial lender, and must have been spent solely for the purposes of paying tuition and other expenses directly related to the school enrollment. Enter the amount of such interest paid in Schedule Y, line 12. This deduction is only allowed if not claiming the same expenses in line 10 of Schedule Y, Student Loan Interest Deduction.

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

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

Line 14. Claim of Right Deduction

For tax years beginning on or after January 1, 2005, taxpayers who have paid Massachusetts personal income taxes in a prior year on income attributed to them under a "claim of right" may deduct the amount of that income from their gross income if it later develops that they were not in fact entitled to the income, and have repaid the amounts in question. The deduction is allowed in the year of repayment, provided that the repayment is not otherwise deductible in determining Massachusetts income taxable under M.G.L. ch. 62. Some examples in which the claim of right may be applied for are:

- **Stock under claim of ownership.** Gains from sales of stock under a claim of ownership must be included, regardless of whether the taxpayer actually owned it;

- **Employment contracts.** Amounts in settlement of employment contracts must be included notwithstanding the prospect of eventual repayment to the employer of an amount equivalent to or greater than the amount received;

- **Dividends.** Where a taxpayer receives a dividend that must be repaid in a later year (e.g., because it impaired corporate capital), the dividend must be included in the year of receipt;

- **Corporate notes.** Where a taxpayer receives a distribution with respect to holding of notes, the income must be included regardless of whether it could be challenged by senior creditors;

- **Mistake in validity of claim.** The claim of right doctrine applies where a taxpayer merely mistakes the validity of his claim; or

- **Advanced insurance commissions.**

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

Line 15. Commuter Deduction

A deduction is allowed for certain amounts paid by an individual for tolls paid for through a FastLane account or for weekly or monthly transit commuter passes for MBTA transit or commuter rail, not including amounts reimbursed or otherwise deductible. In the case of a single person or a married person filing a separate return or a head of household filing a separate return, this deduction applies only to the portion of such expended amount that exceeds $150, and the total amount deducted cannot exceed $750. In the case of a married couple filing a joint return, this deduction applies only to the portion of such amount expended by each individual that exceeds $150, and the total amount deducted cannot exceed $750 for each individual. Also, one spouse cannot transfer his or her excess deduction to the other spouse; separate worksheets must be

completed to calculate the deduction. See TIR 06-14 for additional information. Complete the worksheet below to calculate the commuter deduction.

Schedule Y, Line 15 Worksheet — Commuter Deduction

1. *Enter amount paid in 2008 for tolls through a FastLane account* . . . . . _____
2. *Enter amount paid in 2008 for weekly or monthly transit commuter passes for MBTA transit or commuter rail. (Do not include amounts reimbursed or otherwise deductible)* _____
3. *Add lines 1 and 2. If $150 or less, you do not qualify for this deduction. Omit remainder of this worksheet. Otherwise, complete lines 4 through 6*. . . . . _____
4. *Enter $150* . . . . . _____
5. *Subtract line 4 from line 3*. . . . . _____
6. *Enter the lesser of line 5 or $750 here and on Schedule Y, line 15*. . . . . _____

Schedule Z

Other Credits

Be sure to enclose with Form 1.

Part 1 Credits

Line 1. Lead Paint

If you incurred expenses for covering or removing lead paint on residential premises in Massachusetts, you may claim a credit for expenses up to $1,500 for each residential unit. 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 Schedule LP and enter the amount of credit in line 1.

Line 2. Economic Opportunity Area

Massachusetts allows a credit equal to 5% of the cost of qualifying property purchased for business use within an Economic Opportunity Area (EOA). If you qualify for the credit, complete Schedule EOAC and enter the amount of credit in line 2.

Line 3. Full Employment

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 Schedule FEC, Full Employment Credit, and enter the amount of credit in line 3.

Line 4. Septic

An owner of residential property located in Massachusetts who occupies the property as his or her principal residence is allowed a credit of a maximum of $1,500 per taxable year for expenses incurred to comply with the sewer system requirements of Title V as promulgated by the Department of Environmental Protection or to connect to a municipal sewer system pursuant to a federal court order, administrative consent order, state court order, consent decree or similar mandate. The amount of the credit is 40% of the cost, up to $15,000, for design and construction expenses for repair or replacement of a failed cesspool or septic system. The maximum aggregate amount of the credit is $6,000. A five-year carryover of any unused credit is allowed. See TIRs 97-12, 98-8, 99-5, 99-20 and DOR Directive 01-6 for more information. If you qualify for this credit, complete Massachusetts Schedule SC, Septic Credit, and enter the amount of credit in line 4.

Line 5. Brownfields

Recent legislation extends the Brownfields credit to nonprofit organizations, extends the time frame for eligibility for the credit, and permits the credit to be transferred, sold, or assigned. Under prior law, net response and removal costs incurred by a taxpayer between August 1, 1998 and August 5, 2005, were eligible for the credit provided that the environmental response action before August 5, 2005. As a result of the recent legislation, the environmental response action commencement cut-off date is changed from August 5, 2005 to August 5, 2011, and the time for incurring eligible costs that qualify for the credit is extended to January 1, 2012. See TIR 06-16 for more information. If you qualify for this credit, complete Massachusetts Schedule BC, Brownfields Credit, and enter the amount of credit in line 5. Also, be sure to enter the DOR-issued certificate number in the space provided on line 5. Certificate application forms and additional information are available at www.mass.gov/dor.

Line 6. Low-Income Housing

A low-income housing credit is available to individual 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 unused credit is allowed. See TIR 99-19 for more information. If you qualify for the credit, enter the amount in line 6.

Line 7. Historic Rehabilitation

Effective for tax years beginning on January 1, 2005 and ending on or before December 31, 2011, taxpayers may be eligible for the Historic Rehabilitation Credit (HRC). To claim this credit, a historic rehabilitation project must be complete and have been certified by the Massachusetts Historical Commission. Unused portions of the credit may be carried forward for 5 years. The credit may be transferred or sold to another taxpayer. The HRC is not subject to the 50% limitation rule for corporate taxpayers. If the taxpayer disposes of the property generating the HRC, a portion of the credit may be subject to recapture. For further information, see TIR 06-16 and 830 CMR 63.38R.1, Massachusetts Historic Rehabilitation Credit. If you qualify for this credit, enter the amount in line 7.

Line 8. Film Incentive

For tax years beginning on or after January 1, 2006 and before January 1, 2023, motion picture production companies may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with the filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses. Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The credits are also transferable. For more information, see TIR 06-1. If you qualify for this credit, enter the amount of credit in line 8. Also, be sure to enter the DOR-issued certificate number in the space provided on line 8. Certificate application forms and additional information are available at www.mass.gov/dor.

Note: Motion picture production companies qualify to elect a refundable film credit if they have not transferred or carried forward a portion of the film credit for the production/certificate number to be refunded. If you qualify this election, enter the amount from line 5 of Schedule RFC, Refundable Film Credit, in line 42 of Form 1.

Line 9. Medical Device

Medical device companies that develop or manufacture medical devices in Massachusetts can claim a credit equal to 100% of the user fees paid by them when submitting certain medical device applications and supplements to the United States Food and Drug Administration. The credit is also

transferable. For more information, see TIR 06-22. If you qualify for this credit, enter the amount of credit in line 9. Also, be sure to enter the DOR-issued certificate number in the space provided on line 9. Certificate application forms and additional information are available at www.mass.gov/dor.

Line 10. Total Part 1 Credits

Add lines 1 through 9 and enter the result in line 10. Also, complete lines 11 through 14.

Part 2 Credits for Residents and Part-Year Residents Only

Line 11. Income Tax Paid to Another State

If any of the income reported on this return is subject to taxation in another state or jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete the Schedule Z, Part 2, line 11 worksheet and enter the amount of credit line 11. Do not include taxes paid to the U.S. government. (This credit does not apply to city or local taxes.) You are allowed to claim a credit for taxes paid to the following jurisdictions: (a) other states in the U.S.; (b) any territory or dependency of the U.S. (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces (less any U.S. credit amount allowable from U.S. Form 1116).

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

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

You must complete separate worksheets if you had 5.3% and interest income (other than interest from Massachusetts banks), dividends or capital gain income taxed by another jurisdiction. If you use this worksheet to calculate a credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, substitute interest income (other than interest from Massachusetts banks), dividends or capital gain income for 5.3% income in line 1. You must also substitute Schedule B, line 7 (interest and dividend income) and Schedule B, line 13 (taxable 12% capital gains) or Schedule D, line 12, (gross long-term capital gains and losses), but not less than "0," for Form 1, line 10 in line 2 of the worksheet, and the total of Form 1, line 20 multiplied by .053 (tax on interest and dividend income) and Form 1, line 23 (12% tax) or line 24 (tax on long-term capital gains) for Form 1, line 19 in line 4 of the worksheet.

- When using this worksheet to calculate credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, enter in line 1 such income taxed in another jurisdiction calculated as if it was earned in Massachusetts.
- If you choose to pay the optional 5.85% tax rate, substitute .0585 for .053 in line 4 of the worksheet.

Note: Be sure to enter the two-letter state or jurisdictional postal code for each state or jurisdiction for which you are taking the credit. Visit the United States Postal Service's website at www.usps.com and click on "Service Guides" for a list of these codes.

Schedule Z, Part 2, Line 11 Worksheet — Income Tax Paid to Another Jurisdiction

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

1. *Enter the total 5.3% income included in Form 1, line 10 on which you paid taxes to another jurisdiction* . . . . . _____

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

3. *Divide line 1 by line 2* . . . . . _____

4. *Multiply Form 1, line 19 by .053* _____

5. *Enter any Limited Income Credit from Form 1, line 28* . . . . . _____

6. *Subtract line 5 from line 4*. . . . . _____

7. *Multiply line 6 by line 3* . . . . . _____

8. *Enter the total tax paid to other jurisdictions on income also reported on this return unless the tax was paid to Canada. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1040, line 47. Credit is only allowable for amount of tax paid* . . . _____

9. *Enter the smaller of lines 7 or 8 here and on Schedule Z, line 11* . . . . . _____

Line 12. Energy

If you had expenditures for certain renewable energy source items, such as equipment which uses or transmits solar or wind energy to heat, cool, or provide hot water for your principal residence in Massachusetts, you may qualify for a credit. If you qualify for the credit, complete Schedule EC, Residential Energy Credit, and enter the amount of credit in line 12.

Line 13. Totals

Add lines 11 and 12.

Line 14. Total Credits

Add lines 10 and 13. Enter the result here and in Form 1, line 29.

Schedule B

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

Interest, Dividends and Certain Capital Gains and Losses

You must file Massachusetts Schedule B if you had:

- dividend income in excess of $1,500;
- 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 and pre-1996 installment sales classified as capital gain income for Massachusetts purposes;
- gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- net long-term capital gains and losses; or
- excess exemptions.

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

- You need not file Massachusetts Schedule B if all interest income you had was from Massachusetts banks (reportable in Form 1, line 5a), and your gross dividend income was $1,500 or less (dividend income of $1,500 or less is reportable on Form 1, line 20), and you have no short-term capital gains or losses, long-term gains on collectibles and pre-1996 installment sales, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business, allowable deductions from your trade or business, carryover short-term losses from prior years, net long-term capital gains or losses, or excess exemptions.
- You must complete Massachusetts Schedule B if your interest or dividend income includes: dividends taxed directly to trusts or estates on a Massachusetts Fiduciary Return, Form 2; distributions that are returns of capital; or exempt portions of any interest or dividends from a mutual fund or dividends from current earnings of a corporate trust that are taxed directly on a Massachusetts Corporate Trust Return, Form 3F.

Part 1. Interest and Dividend Income

Line 1. Total Interest Income

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

Line 2. Total Ordinary Dividends

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

Line 3. Other Interest and Dividends

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

- Interest from obligations of other states and their political subdivisions (including your share, if any, from a partnership, an S corporation and a grantor-type trust or non-Massachusetts trust). Do not include exempt interest already included in line 1;
- Taxable distributions from Massachusetts S corporations not reported in Schedule B, line 2. Distributions in excess of the Massachusetts accumulated adjustments account are dividends to the extent of the corporation's Massachusetts accumulated earnings and profits. For more information, see Regulation 830 CMR 62.17A.1;
- Interest and dividends from a partnership, S corporation, grantor-type trust, or non-Massachusetts estate or trust from Massachusetts Schedule E. Generally, portfolio interest and dividend income from partnerships and S corporations should already be included in the Schedule B, line 1 and line 2 amounts;
- Interest from a trade or business that is reported on Massachusetts Schedule C, line 32; or
- Interest or dividends from a mutual fund, if such distributions are not included in line 1 or line 2. See line 6.

Lines 5 and 6

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

Line 5. Total Interest from Massachusetts Banks

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

Line 6. Other Interest and Dividends to Be Excluded

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

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

Do not enter in line 6 either of the following:

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

Line 8. Allowable Deductions from Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.3% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.3% 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 or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities.

Line 9. Subtotal Interest and Dividend Income

Subtract line 8 from line 7. If you have no short-term capital gains or losses, net long-term capital gains or losses, carryover short-term losses from prior years, long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less, allowable deductions from your trade or business, or excess exemptions, omit lines 10 through 37. Enter the amount from line 9 in line 38 of Schedule B and on Form 1, line 20, and omit lines 39 and 40 of Schedule B. Otherwise, complete Parts 2, 3 and 4.

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

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

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

Line 10. Short-Term Capital Gains

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

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

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

Line 12. Gain on Sale of Business Property

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

Line 14. Allowable Deductions from Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.3% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.3% 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 or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities.

Line 16. Short-Term Capital Losses

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

Line 17. Loss on Sale of Business Property

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

Line 18. Prior Years Short-Term Unused Losses

You may use short-term losses accumulated in the previous taxable years beginning after 1981 in the computation of short-term gain or loss for the current year. Enter here the amount from your 2007 Massachusetts Schedule B, line 40.

Line 19. Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 15 through 18. If "0" or greater, omit lines 20 through 23 and enter the amount from line 19 in line 24. If less than "0," complete line 20.

Line 20. Short-Term Losses Applied Against Interest and Dividends

Enter the smaller of line 9 or line 19 (considered as a positive amount). Not more than $2,000.

Line 21. Available Short-Term Losses

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

If Schedule B, line 21 is a loss and Schedule D, line 12 is a loss, omit line 22, enter the amount from line 21 in line 23 and line 40, omit lines 24 through 28 and complete Parts 3 and 4.

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

If Schedule B, line 21 is a loss and Schedule D, line 12 is greater than "0," enter the smaller of Schedule B, line 21 (considered as a positive amount) or Schedule D, line 12 in Schedule B, line 22 and in Schedule D, line 13.

Line 23. Short-Term Losses for Carryover in 2009

Combine line 21 and line 22 and enter the result in line 23 and in line 40, omit lines 24 through 28 and complete Part 3 and Part 4.

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

Enter the amount from Schedule B, line 19. If Schedule D, line 12 is "0" or greater, omit line 25 and enter the amount from line 24 in line 26. If Schedule D, line 12 is a loss, go to Schedule B, line 25.

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

If Schedule B, line 24 is greater than "0," and Schedule D, line 12 is a loss, enter the smaller of Schedule B, line 24 or Schedule D, line 12 (considered as a positive amount) in Schedule B, line 25 and in Schedule D, line 13.

Line 27. Long-Term Gains Deduction

Complete only if lines 11 and 26 are greater than "0." If there is no entry in line 11, enter "0." If line 11 shows a gain, enter 50% of line 11 minus 50% of losses in lines 16, 17, 18 and 25, but not less than "0."

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

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

Line 31. Subtotal Interest and Dividends

If Schedule D, line 14 is "0" or greater, omit Schedule B, line 32 and enter the amount from Schedule B, line 31 in Schedule B, line 33. If Schedule D, line 14 is a loss, go to Schedule B, line 32.

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

If Schedule B, line 31 is a positive amount and Schedule D, line 14 is a loss, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 15. When completing the worksheet, be sure to enter all losses as a positive amount.

Part 4. Taxable Interest, Dividends and Certain Capital Gains

Line 36. Excess Exemptions

Enter the amount from line 5 of the Excess Exemption Worksheet (only if single, head of household or married filing a joint return and Form 1, line 18 is greater than Form 1, line 17).

Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 15. Complete only if Schedule B, line 31 is a positive amount and Schedule D, line 14 is a loss. Enter all losses as positive amounts.

1. *Enter amount from Schedule B, line 29* . . . . . _____

2. *Enter the lesser of line 1 or $2,000* _____

3. *Enter the amount from Schedule B, line 30* . . . . . _____

4. Subtract line 3 from line 2. If "0" or less omit the remainder of worksheet. Otherwise, complete lines 5 and 6 . . . . . _____
5. Enter any loss from Schedule D, line 14 as a positive amount. Otherwise, enter "0" . . . . . _____
6. If line 4 is less than or equal to line 5, enter line 4 here and in Schedule B, line 32 and in Schedule D, line 15. If line 4 is larger than line 5, enter line 5 here and in Schedule B, line 32 and in Schedule D, line 15 . . . . . _____

Schedule D

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

Long-Term Capital Gains and Losses Excluding Collectibles

You must complete Massachusetts Schedule D if you had long-term gains or losses from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return, or if you had capital gain distributions. If you did not file U.S. Schedule D but are reporting capital gain distributions on U.S. Form 1040, line 13 or 1040A, line 10, you must complete Massachusetts Schedule D (see line 5 instructions). Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of the sale or exchange.

The law defines "capital gain income" as gain from the sale or exchange of a capital asset. The definition of "capital asset" includes: (1) an asset which is a capital asset under IRC sec. 1221, or (2) property that is used in a trade or business within the meaning of IRC sec. 1231(b) without regard to the holding period as defined in said sec. 1231(b).

Differences

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

- IRC sec. 1244 losses reported as ordinary losses on your U.S. return must be reported on Massachusetts Schedule D;
- If you made a federal election under sec. 311 of the Tax Relief Act of 1997 to recognize gain on the deemed sale of a capital asset held on January 1, 2001, Massachusetts does not follow the federal rules at sec. 311 for determining the basis of the asset. See TIR 02-3. If you sold a capital asset in 2008 for which you made a federal sec. 311 election, the Massachusetts initial basis will not be the federal basis. The Massachusetts initial basis will be determined as of the date the asset was first acquired;
- Upon the sale of stock of an S corporation, the federal basis must be modified according to 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. Gains from pre-1996 installment sales are classified as either capital gains or ordinary income under the Massachusetts law in effect on the date the sale or exchange took place.

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

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 3 should be reported on Massachusetts Schedule D, line 9 ("Differences"). The amount of such gain classified as ordinary income should then be reported on Form 1, line 9 ("Other income") and included on Schedule X, line 4 and identified as "2008 gain from pre-1996 installment sale."

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

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

Long-Term Capital Gains and Losses, Excluding Collectibles

Line 1. Long-Term Capital Gains and Losses

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

Line 2. Additional Long-Term Capital Gains and Losses

Enter the gain or loss included in U.S. Schedule D, line 9, column f.

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

Enter the gain or loss included in U.S. Schedule D, line 11, column f.

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

Enter the gain or loss included in U.S. Schedule D, line 12, column f.

Line 5. Capital Gain Distributions

If you did not file U.S. Schedule D, enter the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10.

If you did file a U.S. Schedule D, enter the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, 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). These include ordinary gains from the sale of Section 1231 property, recapture amounts under Sections 1245, 1250 and 1255, 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 total amount of carryover losses from your 2007 Schedule D, line 22.

Line 9. Differences

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

- Pre-1996 installment sales classified as ordinary income for Massachusetts purposes;
- Long-term capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts; and
- Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws.

Line 10. Adjusted Capital Gains and Losses

Exclude/subtract line 9 from line 8 and enter the result in line 10.

- If line 9 is a loss, add loss as a positive number to the amount recorded in line 8. See the following examples:

Schedule D

Line	ex. A	ex. B	ex. C	ex. D
8	$1,000	$1,000	$ 700*	$700*
9	500	300*	500	500*
10	500	1,300	1,200*	200*

*denotes loss

- If in line 9 you entered amounts which increase the amounts reported from U.S. to Massachusetts, for example, a long-term gain reported as installment sales for U.S. tax purposes but not for Massachusetts, add the amount in line 9 to the amount in line 8.

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

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

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

Collectibles are defined as any capital asset that is a collectible within the meaning of 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 12. Subtotal

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

If Schedule D, line 12 is a loss and Schedule B, line 21 is less than "0," omit Schedule D, lines 13 through 15, enter the amount from Schedule D, line 12 in Schedule D, line 16, omit Schedule D, lines 17 through 21 and enter the amount from Schedule D, line 16 in Schedule D, line 22, and enter "0" on Form 1, line 24.

If Schedule D, line 12 is a gain and Schedule B, line 21 is a loss, go to Schedule D, line 13.

If Schedule D, line 12 is a loss and Schedule B, line 24 is "0" or greater, go to Schedule D, line 13.

If Schedule D, line 12 is a gain, and Schedule B, line 24 is "0" or greater, omit Schedule D, lines 13 through 15 and enter the amount from Schedule D, line 12 in Schedule D, line 16.

Line 13. Capital Losses Applied Against Capital Gains

If Schedule D, line 12 is a positive amount and Schedule B, line 21 is a loss, enter the smaller of Schedule D, line 12 or Schedule B, line 21 (considered as a positive amount) in Schedule D, line 13 and in Schedule B, line 22.

If Schedule D, line 12 is a loss and Schedule B, line 24 is a positive amount, enter the smaller of Schedule D, line 12 (considered as a positive amount) or Schedule B, line 24 in Schedule D, line 13 and in Schedule B, line 25.

Line 14. Subtotal

If line 12 is greater than "0," subtract line 13 from line 12. If line 12 is less than "0," combine lines 12 and 13.

If Schedule D, line 14 is a loss and Schedule B, line 24 is "0" or greater and Schedule B, line 31 is a positive amount, go to Schedule D, line 15.

If Schedule D, line 14 is a loss, and Schedule B, line 21 is "0" or less, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16, omit Schedule D, lines 17 through 21 and enter the amount from Schedule D, line 16 in Schedule D, line 22, and enter "0" on Form 1, line 24.

Line 15. Long-Term Capital Losses Applied Against Interest and Dividends

If Schedule D, line 14 is a loss, and Schedule B, line 24 is "0" or greater and Schedule B, line 31 is a positive amount, complete the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet for Schedule B, Line 32 and Schedule D, Line 15.

Line 16. Subtotal

Combine line 14 and line 15. If Schedule D, line 16 is "0," enter "0" in lines 17 through 20 and omit lines 21 and 22. If Schedule D, line 16 is a loss, omit lines 17 through 21 and enter the amount from line 16 in line 22.

Line 17. Allowable Deductions From Your Trade or Business

Enter the appropriate amount from Massachusetts Schedule C-2 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.3% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.3% 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 or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities.

Line 19. Excess Exemptions

Enter in line 19 the amount from line 8 of the Excess Exemption Worksheet (only if single, head of household or married filing joint return).

Line 21. Tax On Long-Term Capital Gains

Multiply line 20 by .053 (5.3%) and enter the result here and in Form 1, line 24.

Note: If choosing the optional 5.85% tax rate, multiply line 20 by .0585 and enter the result here and in Form 1, line 24.

Line 22. Available Losses for Carryover

Enter the amount from Schedule D, line 16, only if it is a loss.

Schedule C

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

Substituting U.S. Schedule C-EZ

U.S. Schedule C is no longer allowed as a substitute for Massachusetts Schedule C. However, you may substitute U.S. Schedule C-EZ for Massachusetts Schedule C if there are no differences between the amounts reported on U.S. Schedule C-EZ and amounts that would be reported on Massachusetts Schedule C. Be sure to write "No Massachusetts Differences" on the top of the U.S. Schedule C-EZ.

Profit or Loss from Business or Profession

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

If your business deductions, excluding the Abandoned Building Renovation Deduction, exceed Schedule C income and any other income taxable at the 5.3% rate, such excess deductions may be subtracted from the other income that is effectively connected with the active conduct of your trade or business and any other income allowed under IRC Section 469(d)(1)(B) to offset losses from passive activities. To compute the excess trade or business deductions use Massachusetts Schedule C-2. This form is available by visiting www.mass.gov/dor, or you may have one mailed to you by calling (617) 887-MDOR.

Registration Information

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

Employer Identification Number

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

Small Business Energy Exemption

If you are claiming the small business energy exemption from the sales tax on purchases of taxable energy or heating fuel during 2008, you must have five or fewer employees. You must enter the number of your employees in the space provided.

Accounting Method

If you filed a return on the accrual basis last year, your return for this year must be on the same basis. If a taxpayer requesting permission to change an accounting method for Massachusetts purposes is eligible for an automatic change of accounting method federally, and has correctly followed the most recently issued federal revenue procedure for requesting an automatic change, then the taxpayer should file his/her annual return using the new method and write at the top, "Automatic Change of Accounting Method — filed in compliance with DOR Directive 02-13." The taxpayer should enclose a copy of federal Form 3115, together with any required statements. See DOR Directive 02-13 for further information.

Material Participation

Indicate if you materially participated in the operation of this business during 2008. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

Line 1a. Gross Receipts or Sales

In the boxes provided, enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form 1099-MISC, Miscellaneous Income. If the nature of your business is such that you have gross or other income that is interest (other than from Massachusetts banks) and dividend income, exclude this income from lines 1 and 4 on Massachusetts Schedule C and include it in line 32 and in Schedule B, line 3. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible.

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

Line 4. Other Income

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

Line 7. Bad Debts From Sales or Services

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

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

Line 11. Depreciation and Section 179 Deduction

Massachusetts adopts the current federal rules at section 179 for expensing certain depreciable business assets. For property placed in service in tax years beginning on or after January 1, 2008, the maximum section 179 expensing allowance is $250,000.

Line 17. Pension and Profit-Sharing Plans

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

Line 23. Meals and Entertainment

Line 23a. Enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. Business meal expenses are deductible only if they are (a) directly related to or associated with the conduct of your trade or business, (b) not lavish or extravagant and (c) incurred while you or your employee is present at the meal. Club dues are not allowed as a business deduction.

Line 23b. Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while traveling away from home on business. However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. Figure how much of the amount on line 23a is subject to the 50% limit. Then, enter 50% of that amount on line 23b. This amount should be subtracted from the amount in line 23a. Enter the result in line 23 of Massachusetts Schedule C.

Line 30. Abandoned Building Renovation Deduction

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

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

Line 33. If You Have a Loss

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

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

Senior Circuit Breaker Tax Credit

What Is It?

For tax years beginning on or after January 1, 2001, senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes they paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is $930 for the tax year beginning January 1, 2008. See TIR 08-12 for more information.

Eligible taxpayers who own their property may claim a credit equal to the amount by which their property tax payments in tax year 2008 (excluding any exemptions and/or abatements), including water and sewer debt charges, exceed 10% of their "total income" for the same current tax year. Taxpayers residing in communities that do not include water and sewer debt service in their property tax assessments may claim, in addition to their property tax payments, 50% of the water and sewer use charges actually paid during the tax year when figuring their credit.

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

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

Who Is Eligible for the Credit?

To be eligible for the credit for the 2008 tax year, a taxpayer must be 65 years of age or older before January 1, 2009 (for joint filers, it is sufficient if one taxpayer is 65 years of age or older), must own or rent residential property in Massachusetts and occupy the property as his or her principal residence, and must not be the dependent of another taxpayer. The taxpayer's total income cannot exceed $49,000 for a single filer who is not the head of a household, $62,000 for a head of household, or $74,000 for taxpayers filing jointly. No credit is allowed for a married taxpayer unless a joint return is filed. Moreover, the assessed valuation of the real estate cannot exceed $793,000.

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

Is the Tax Credit Considered Income?

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

How Does a Taxpayer Claim the Credit?

Taxpayers who are eligible for the tax credit in the 2008 tax year can claim the credit by submitting a completed Schedule CB, Circuit Breaker Credit, with their 2008 state income tax return. Eligible taxpayers who do not normally file a state income tax return may obtain a refund by filing a return with Schedule CB. As with all claimed tax credits and deductions, the taxpayer must keep all pertinent records, receipts and other documentation supporting his or her claim for the credit.

Line 1. Living Quarters Status During 2008

Be sure to fill in the appropriate oval. If you were a renter in 2008 and you received any federal and/or state subsidy, or you rent from a tax-exempt entity, you do not qualify for the Circuit Breaker Credit.

Line 2. Assessed Value of Principal Residence as of January 1, 2008

Enter the amount of the assessed value of your principal residence as of January 1, 2008. If you own a multi-family home, mixed-use property, or more than one acre of land, only the assessed value of the principal residence, together with the land that immediately surrounds and is associated with that residence, not to exceed one acre, should be used. If the assessed value is over $793,000, you do not qualify for the credit. Contact your local city or town's assessors' office if you have any questions in determining the amount of the assessed value of your principal residence as of January 1, 2008.

Income Calculation

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

Line 4. Total Social Security Benefits Received

Enter in line 4 the amount of Social Security benefits received in 2008. Social Security benefits include retirement, disability, dependent and survivorship.

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

Enter in line 5 the amount of pension, annuities, IRA/Keogh distributions not taxed on your Massachusetts Form 1. See Form 1, line 4 instructions, Pension and Annuities, for a list of exempt items

that must be included in Schedule CB, line 5 as part of total income for the purposes of calculating the Circuit Breaker Credit.

Line 6. Misellaneous Income Including Cash Public Assistance

Enter the amount of miscellaneous income, including cash public assistance, received during 2008. This includes but is not limited to food stamps and welfare payments, disability income, gifts, sick pay and worker's compensation.

Line 9. Qualifying Income

Subtract line 8 from line 7. You do not qualify for the Circuit Breaker Credit if you are filing as "Single" and line 9 is greater than $49,000; or if you are filing as "Head of household" and line 9 is greater than $62,000; or if you are filing as "Married filing jointly" and line 9 is greater than $74,000.

Credit Calculation

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

Line 10. Real Estate Taxes Paid in Calendar Year 2008 for Your Principal Residence

Enter the amount of real estate taxes paid in calendar year 2008. Be sure to include real estate tax payments made pursuant to the Community Preservation Act, the Cape Cod Open Space Land Acquisition Program and/or paid to a tax-levying district.

Note: Real estate taxes paid in a calendar or taxable year generally reflect taxes assessed for two different fiscal years. If a community collects taxes quarterly, a taxpayer may have made four payments during a calendar year. These payments are billed as due on the following dates: February 1, May 1, August 1, and November 1. If a community collects taxes semi-annually, a taxpayer may have made two payments during the calendar year. The first payment is billed as due on May 1 and the second as due on November 1, or thirty days after it is mailed, if the bill is mailed after October 1. If you own a multi-family home, mixed-use property, or your principle residence has a land area in excess of one acre, contact your local city or town's collector's office if you have any questions in determining the amount of real estate taxes paid in calendar year 2008 for your principal residence.

Line 11. Adjustments to Real Estate Taxes Paid

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

- Abatements granted by local assessors or earned through the Senior Work Program*;
- Exemptions granted by cities or towns to qualifying veterans, surviving spouses, blind persons and the elderly*;
- Interest charges assessed due to delinquent payments; and
- Betterments or special assessments levied upon the property.

*Do not exclude this amount if it was already reflected on your tax bill and you did not pay it.

Line 13. Water and Sewer Use Charges Paid in 2008

Contact your town official to determine if your community has elected to include water and sewer debt charges in the property tax assessment. Taxpayers residing in communities that do not include water and sewer debt charges in the property tax assessments may include 50% of the actual water and sewer use charges paid during the taxable year. If they have elected to include those charges in the property tax assessment, enter "0" in line 13. If they have not elected to include those charges, enter 50% of your actual water and sewer use charges paid in 2008 in line 13.

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

Line 17. Credit

Enter the lesser of line 16 or $930 here and on Form 1, line 41.

Line 18. Rent Paid for Your Principal Residence in 2008

Enter in line 18a the total amount of rent paid for your principal Massachusetts residence in 2008. Divide that amount by 4 (25%) and enter the result in line 18. In the space provided, be sure to enter your landlord's name and address. If you received any federal and/or state rent subsidy, or you rent from a tax-exempt entity, you do not qualify for the Circuit Breaker Credit.

Line 21. Credit

Enter the lesser of line 20 or $930 here and on Form 1, line 41.

2008 Massachusetts Income Tax Table at the **5.3% Rate**

Use this table to calculate tax for taxable 5.3% income (line 21) of not more than $24,000.

Line 22 instructions: To find your **tax on 5.3% Income** (line 22), read down the tax table income column to the line containing the amount you entered in line 21. Then read across to the **TAX** column and enter this amount in line 22. If your taxable 5.3% income in line 21 is greater than $24,000, multiply the amount by .053. Enter the result in line 22.

Note: If choosing the optional 5.85% tax rate, multiply line 21 and the amount in Schedule D, line 20 by .0585.

INCOME More than	But not more than	TAX	INCOME More than	But not more than	TAX	INCOME More than	But not more than	TAX	INCOME More than	But not more than	TAX	INCOME More than	But not more than	TAX	INCOME 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 –	19,150	1,014	23,100 –	23,150	1,226
3,150 –	3,200	168	7,150 –	7,200	380	11,150 –	11,200	592	15,150 –	15,200	804	19,150 –	19,200	1,016	23,150 –	23,200	1,228
3,200 –	3,250	171	7,200 –	7,250	383	11,200 –	11,250	595	15,200 –	15,250	807	19,200 –	19,250	1,019	23,200 –	23,250	1,231
3,250 –	3,300	174	7,250 –	7,300	386	11,250 –	11,300	598	15,250 –	15,300	810	19,250 –	19,300	1,022	23,250 –	23,300	1,234
3,300 –	3,350	176	7,300 –	7,350	388	11,300 –	11,350	600	15,300 –	15,350	812	19,300 –	19,350	1,024	23,300 –	23,350	1,236
3,350 –	3,400	179	7,350 –	7,400	391	11,350 –	11,400	603	15,350 –	15,400	815	19,350 –	19,400	1,027	23,350 –	23,400	1,239
3,400 –	3,450	182	7,400 –	7,450	394	11,400 –	11,450	606	15,400 –	15,450	818	19,400 –	19,450	1,030	23,400 –	23,450	1,242
3,450 –	3,500	184	7,450 –	7,500	396	11,450 –	11,500	608	15,450 –	15,500	820	19,450 –	19,500	1,032	23,450 –	23,500	1,244
3,500 –	3,550	187	7,500 –	7,550	399	11,500 –	11,550	611	15,500 –	15,550	823	19,500 –	19,550	1,035	23,500 –	23,550	1,247
3,550 –	3,600	189	7,550 –	7,600	401	11,550 –	11,600	613	15,550 –	15,600	825	19,550 –	19,600	1,037	23,550 –	23,600	1,249
3,600 –	3,650	192	7,600 –	7,650	404	11,600 –	11,650	616	15,600 –	15,650	828	19,600 –	19,650	1,040	23,600 –	23,650	1,252
3,650 –	3,700	195	7,650 –	7,700	407	11,650 –	11,700	619	15,650 –	15,700	831	19,650 –	19,700	1,043	23,650 –	23,700	1,255
3,700 –	3,750	197	7,700 –	7,750	409	11,700 –	11,750	621	15,700 –	15,750	833	19,700 –	19,750	1,045	23,700 –	23,750	1,257
3,750 –	3,800	200	7,750 –	7,800	412	11,750 –	11,800	624	15,750 –	15,800	836	19,750 –	19,800	1,048	23,750 –	23,800	1,260
3,800 –	3,850	203	7,800 –	7,850	415	11,800 –	11,850	627	15,800 –	15,850	839	19,800 –	19,850	1,051	23,800 –	23,850	1,263
3,850 –	3,900	205	7,850 –	7,900	417	11,850 –	11,900	629	15,850 –	15,900	841	19,850 –	19,900	1,053	23,850 –	23,900	1,265
3,900 –	3,950	208	7,900 –	7,950	420	11,900 –	11,950	632	15,900 –	15,950	844	19,900 –	19,950	1,056	23,900 –	23,950	1,268
3,950 –	4,000	211	7,950 –	8,000	423	11,950 –	12,000	635	15,950 –	16,000	847	19,950 –	20,000	1,059	23,950 –	24,000	1,271

If your 5.3% income for the tax table is less than $9, your tax is "0."

Department of Revenue Resources

DOR Locations in Massachusetts

Boston
19 Staniford St.
Boston, MA 02114
(617) 887-MDOR

Fall River
218 South Main St.
Fall River, MA 02721
(508) 678-2844

Hyannis
60 Perseverance Way
Hyannis, MA 02601
(508) 771-2414

Pittsfield
333 East St.
Pittsfield, MA 01201
(413) 499-2206

Springfield
436 Dwight St.
Springfield, MA 01103
(413) 784-1000

Worcester
40 Southbridge St.
Worcester, MA 01608
(508) 792-7300

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 is also a valuable resource for tax information 24 hours a day. Thousands of tapayers use DOR's website to e-mail and receive prompt answers to their general tax inquiries. Taxpayers can also check the status of their refunds, make estimated tax payments and review their estimated tax payment histories through the Web Services for Income section of our website.

Public libraries and DOR district offices (listed on this page) also offer access to DOR's website for those taxpayers who don't otherwise have computer access.

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.

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.

Note: To obtain federal tax information and forms via the Internet, go to www.irs.gov or call the IRS toll-free at 1-800-829-1040.

For help in one of the following specific areas

- Certificates of Good Standing (617) 887-6550
- Installment Sales (617) 887-6950
- Teletype (TTY) (617) 887-6140
- Small Business Workshop (617) 887-5660
- 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 Diversity and Equal Opportunity, PO Box 9557, Boston, MA 02114-9557.

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.

Volunteer in Your Community

Be sure to visit the Commonwealth's new Connect and Serve website to learn about the wide variety of volunteering opportunities available to Massachusetts residents. The site may be found at www.mass.gov/connectandserve.

Massachusetts
Department of
Revenue
PO Box 7011
Boston, MA 02204

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Dear Taxpayer,

For the 2008 filing season, the Department of Revenue is expanding its web-based programs to offer WebFile for Income. The percentage of tax returns filed electronically with the Department has grown steadily over the years and reached 63% in the 2007 filing season. To make electronic filing even more accessible and easier, the Department of Revenue's new WebFile for Income program will replace the old Telefile technology.

Taxpayers who in the past have purchased software packages to file their tax returns, or who used Telefile, may now use WebFile for Income. This program is free, convenient, completely secure, and is available on the DOR website at www.mass.gov/webfile. Some of the benefits include:

- Mathematical errors are minimized as WebFile performs all the calculations for your tax return.
- If you are interrupted or are short of time while filing on WebFile, you can save what you have done and go back to it later. WebFile saves your account information and tracks refunds and payments.
- At each step, help is just a click away.

When you are finished, you receive a printable receipt or are given secure payment options. For a faster refund, money can be wired straight to your bank account. DOR's secure system means you don't have to worry about identity theft or privacy issues.

Tax year 2008 also marks the second year of DOR's implementation of the state's landmark health care reform law designed to make quality, affordable health care available to every resident. DOR's website has an instructional video and calculator for Schedule HC and more information on obtaining affordable health insurance is available at www.mahealthconnector.org or from health insurance providers.

Finally, please check to see if your income level qualifies you to claim the Earned Income Tax Credit, a refundable federal tax credit for low-income working individuals and families. The Massachusetts credit is 15% of the allowable federal credit, and may be claimed even if no tax is due. Certain taxpayers may also qualify for a refundable credit of real estate taxes paid during the tax year, under the Senior Circuit Breaker Tax Credit.

Please see the enclosed instructions or visit our website www.mass.gov.dor for more information on all these initiatives. And please feel free to contact our Customer Service Bureau either by phone (617) 887-MDOR, toll-free in Massachusetts at (800) 392-6089 or email websitefeedback@dor.state.ma.us with your questions, concerns or comments.

Sincerely,

Navjeet K. Bal
Commissioner

Important Mailing Information!
When mailing a return generated from a 2-D software product, be sure to use one of the special 2-D PO boxes listed on page 3.

650M 12/08 2009JMBPRINTOFF150103

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