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2010 **Instructions for Form 1** Massachusetts Resident Income Tax Return

Includes Schedule HC Instructions

2010 Massachusetts **Schedule HC** Health Care

Special Section on Minimum Creditable Coverage

What is "Minimum Creditable Coverage" (MCC)?

It's the minimum level of health insurance benefits that adult tax filers need to be considered insured and avoid tax penalties in Massachusetts.

How do I know if my plan met MCC?

Massachusetts-licensed health insurance companies must put an MCC-compliance notice on their plans to indicate if it does or does not meet MCC. Most do meet the MCC standards. If you received a Form MA 1099-HC from your insurer, that form will indicate whether your insurance met MCC requirements. For a list of plans that automatically meet MCC, please refer to the plans listed on this page.

What if I did not receive a Form MA 1099-HC from my insurer?

You can call your insurer or your employer's human resources department or benefits administrator for help, if you get health coverage through your job. If your insurer or your employer is unable to assist you, please refer to the "Benefits Required Under MCC" section on this page to see if your policy meets these requirements. If your plan meets all of the requirements, you may certify in line 3 of the Schedule HC that you were enrolled in a plan that met the MCC requirements during that time period.

What if my plan did not meet MCC for all of 2010?

If you were enrolled in a plan that did not meet the MCC requirements for all of 2010, you must fill in the "No MCC/None" oval in line 3 of the Schedule HC and follow the instructions on the Schedule HC. You will not be subject to a penalty if it is determined that you did not have access to affordable insurance that met MCC. If you had access to affordable insurance that met MCC but did not purchase it, you are subject to a penalty. However, if you are subject to a penalty, you may appeal and claim that the penalty should not apply to you. For more information about the grounds and procedure for appeals, go to page 6. No penalty will be imposed pending the outcome of your appeal.

What if I was enrolled in an MCC plan for only part of the year?

If you were enrolled in an MCC plan for only part of the year, you should fill in the "Part-Year MCC" oval in line 3 of the Schedule HC and go to line 4. In line 4, only provide the health insurance information for the MCC plan(s) you were enrolled in. Do not provide health insurance information in line 4 for a plan that did not meet the MCC standards.

Benefits Required Under MCC

For most plans, the 2010 "Minimum Creditable Coverage" standards include:

- Coverage for a comprehensive set of services (for example: doctors visits, hospital admissions, day surgery, emergency services, mental health and substance abuse, and prescription drug coverage);
- Doctor visits for preventive care, without a deductible;
- A cap on annual deductibles of $2,000 for an individual and $4,000 for a family;
- For plans with up-front deductibles or co-insurance on core services, an annual maximum on out-of-pocket spending of no more than $5,000 for an individual and $10,000 for a family;
- No caps on total benefits for a particular illness or for a single year;
- No policy that covers only a fixed dollar amount per day or stay in the hospital, with the patient responsible for all other charges; and
- For policies that have a separate prescription drug deductible, it cannot exceed $250 for an individual or $500 for a family.

Other ways of meeting MCC:

You automatically meet MCC if you are enrolled in:

- Medicare Part A or B;
- Any Commonwealth Care, Commonwealth Care Bridge plan;
- Any Commonwealth Choice plan (including Young Adult Plans);
- MassHealth;
- A federally-qualified high deductible health plan (HDHP);
- A Student Health Insurance Plan (SHIP) offered in Massachusetts or another state;
- A tribal or Indian Health Service plan;
- TRICARE;
- The U.S. Veterans Administration Health System;
- A health insurance plan offered by the federal government to federal employees or retirees; or
- Peace Corps, VISTA or AmeriCorps or National Civilian Community Corps coverage.

For more information on MCC requirements, see 956 C.M.R.5.00 on the Health Connector's website at www.mahealthconnector.org.

4 Schedule HC Instructions

Health Care Information

The Massachusetts health care reform law requires most residents 18 and over with access to affordable health insurance to obtain it. 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 2010

Read this section if, during 2010, you turned 18, moved into or out of Massachusetts or if you are filing a tax return on behalf of a deceased taxpayer to determine the period of time that the mandate to have health insurance applied to you.

Note: Schedule HC must be completed and filed if you fall into a "special circumstances" category.

Turning 18. If you turned 18 during 2010, the mandate to obtain and maintain health insurance applies to you beginning on the first day of the third month following the month of your birthday. For example, if your birthday is June 15, the mandate applies on September 1.

Part-year residents. If you moved into Massachusetts during 2010, the mandate to obtain and maintain health insurance applies to you beginning on the first day of third month following the month you became a resident of Massachusetts. For example, if you moved into Massachusetts on May 14, the mandate applies on August 1.

If you moved out of Massachusetts during 2010, the requirement to obtain and maintain health insurance 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. And, if you moved out of Massachusetts on September 30, the mandate applies up to September 30.

Note: Part-year residents are **not** required to file Schedule HC if they were residents of Massachusetts for less than three full months.

Deceased taxpayer. If a taxpayer dies during 2010, the mandate to obtain and maintain health insurance 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 31.

Lines 1a and 1b. Date of Birth

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

Taxpayers turning 18 during 2010. Taxpayers with a date of birth on or after October 1, 1992 should only complete line 1 of Schedule HC because they are not subject to a penalty.

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

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.

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

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

Line 3. Your Health Insurance Status in 2010

If you had health insurance in 2010, you must first determine if the insurance you had met the Minimum Creditable Coverage requirements. Your Form MA 1099-HC sent to you by your insurer will give you this information. Almost all state and government sponsored insurance plans, such as MassHealth, Commonwealth Care, Commonwealth Care Bridge, Medicare, and health coverage for U.S. Military, including Veterans Administration and Tri-Care, meet these requirements.

Important information: The Health Safety Net is not health insurance, and thus it does not meet MCC requirements. If this is the only way in which your health care needs were paid for in 2010, you must fill in the No MCC/None oval in line 3 and go to line 6.

If you did not receive Form MA 1099-HC from your insurer, see the special section on MCC requirements. Once you have determined whether your coverage met the MCC requirements in 2010, enter the period of time that you were covered by the plan(s).

Explanation of time periods for line 3 of Schedule HC

◗ **Full-year MCC.** Fill in this oval if you had health insurance that met MCC requirements for the entire year of 2010 and go to line 4.

◗ **Part-year MCC.** Fill in this oval if you had health insurance that met MCC requirements for only part of 2010 and go to line 4. This means for the other parts of 2010, you had no health insurance at all, health insurance that did not meet MCC requirements or a combination of both.

◗ **No MCC/None.** Fill in this oval if you did not, at any point in 2010, have health insurance that met MCC requirements, for example, either you did not have any health insurance at all in 2010, or you only had health insurance that did not meet MCC requirements and then go to line 6.

If married filing jointly, you must respond for yourself and your spouse. If you (or your spouse, if married filing jointly) had **Full-Year** or **Part-Year MCC**, go to line 4. If you (or your spouse, if married filing jointly) had **No MCC/None**, go to line 6. If married filing jointly, and only one spouse had **Full-Year** or **Part-Year MCC**, you must complete line 4 with information regarding the spouse who had **Full-Year** or **Part-Year MCC**, and must go to line 6 for the spouse who had **No MCC/None**. If married filing separately, you only have to respond for yourself, not your spouse.

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

Special Circumstances — Important Information: If, during 2010, you turned 18, moved into or out of Massachusetts or if you are filing a tax return on behalf of a deceased taxpayer, you must first determine the period of time that the mandate applied to you. See the Special Circumstances section on this page for additional information. If you had health insurance that met the Minimum Creditable Coverage requirements for the entire period that the mandate applied to you, fill in the **Full-Year MCC** oval in line 3. If you met the requirements for only part of the time that the mandate applied to you, fill in the **Part-Year MCC** oval. If you had no insurance or insurance that did not meet the MCC requirements for the period of time that the mandate applied to you, fill in the **No MCC/None** oval.

Line 4. Your Health Insurance Plan Information

If you indicated in line 3 that you were enrolled in a health insurance plan that met the Minimum Creditable Coverage requirements for all or part of 2010, you must now fill in the oval that matches your plan. If you had more than one plan in 2010, fill in all of the ovals that apply for you and your spouse, if married filing jointly, and follow the instructions.

Line 4a. If you (and/or your spouse if married filing jointly) were enrolled in private health insurance, fill in the oval(s) in line 4a and complete line 4f (for you) and/or 4g (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, 2011. **Note:** If you received Form(s) MA 1099-HC, be sure to attach to Schedule HC. If you did not receive Form(s) MA 1099-HC, fill in the oval(s) in lines 4f (for you) and/or 4g (your spouse), and enter the name of your insurance carrier or administrator and your subscriber number in line 4f and/or 4g and go to line 5. This information should be on your insurance card. If you do not know this information, contact your insurer or your Human Resources Department if your insurance is through your employer.

Note: Generally, employees or retirees of the federal, state or local governments have private health insurance and should fill in the oval(s) in line 4a and complete line 4f (for you) and/or line 4g (your spouse) and then go to line 5.

If you and your spouse were enrolled in the same health insurance, you must complete both line 4f (for you) and 4g (your spouse).

Line 4b. If you (and/or your spouse if married filing jointly) were enrolled in MassHealth, Commonwealth Care or Commonwealth Care Bridge, fill in the Yes oval(s) in line 4b and go to line 5.

Line 4c. If you (and/or your spouse if married filing jointly) were enrolled in Medicare (including a replacement or supplemental plan), fill in the oval(s) in line 4c and then go to line 5.

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

Line 4d. If you (and/or your spouse if married filing jointly) were enrolled in a U.S. Military, plan (including Veterans Administration and Tri-Care) fill in the oval(s) in line 4d and then go to line 5.

Line 4e. If you (and/or your spouse if married filing jointly) were enrolled in Other government health coverage fill in the oval(s) in line 4e and complete line 4f (for you) and/or 4g (your spouse) by entering the program name(s) only.

"**Other government health coverage**" includes comprehensive government-subsidized plans such as care provided at a correctional facility. Taxpayers who receive MassHealth, Commonwealth Care or Commonwealth Care Bridge should fill in the oval on line 4b. Taxpayers who receive health care through the Health Safety Net (formerly known as the Uncompensated Care Pool) should not fill in any oval in line 4 because the Health Safety Net is not health insurance, and thus it does not meet Minimum Creditable Coverage requirements.

Lines 4f and 4g. Complete only if you filled in oval(s) in line(s) 4a or 4e. Enter information in lines 4f and 4g on up to two insurance carriers each, if you (and/or your spouse if married filing jointly) were covered by multiple insurers in 2010. **Note:** If you filled in the oval(s) in line 4e, only enter the name of the program. After completing lines 4f and 4g, go to line 5.

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 5. Instructions After Completing Lines 3 and 4

If your health insurance met the Minimum Creditable Coverage requirements for all of 2010, you are not subject to a penalty. Skip the remainder of this schedule and continue completing your tax return. If you were enrolled in Medicare, U.S. Military (including Veterans Administration and Tri-Care), or other government insurance, not including MassHealth, Commonwealth Care or Commonwealth Care Bridge, at any point during 2010, you are not subject to a penalty. Skip the remainder of this schedule and continue completing your tax return. If you had health insurance that met the MCC requirements for only part of the year in 2010 or if you had no insurance in 2010, go to line 6.

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 Line 6, Federal Poverty Worksheet to determine if your income in 2010 was at or below 150% of the Federal Poverty Level.

Line 7. Months Covered by Minimum Creditable Coverage Health Insurance

Complete this section only if you (and/or your spouse if married filing jointly) were enrolled in a health insurance plan(s) that met Minimum Creditable Coverage requirements for part, but not all, of 2010. You are considered to have coverage for part of 2010 if you had coverage for at least 1 but less than 12 months.

If you were enrolled in a private health insurance plan that met MCC requirements (such as coverage provided by your employer or purchased on your own) or government-sponsored health insurance (examples of which include MassHealth, Commonwealth Care or Commonwealth Care Bridge), fill in the oval(s) for the months you were covered in 2010, using the information from Form(s) MA 1099-HC.

If you did not receive a Form MA 1099-HC from your insurer, fill in the oval(s) for each month in which you had coverage that met MCC requirements 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, Commonwealth Care or Commonwealth Care Bridge 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 or Commonwealth Care Bridge 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 answered Yes to line 6, you are not subject to a penalty. Skip the remainder of Schedule HC and continue completing your return.

If you have four or more consecutive months either with no insurance or insurance that did not meet MCC requirements (four or more blank ovals in a row), go to line 8a. 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 8a.

Special Circumstances During 2010

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 2010, the mandate to maintain and obtain health insurance applies to you beginning on the first day of the third month following the month of your birthday. For example, if your birthday is June 15, the mandate applies on September 1. In this example, do not count the months of January through August because the mandate did not apply.

Part-year residents. If you moved into Massachusetts during 2010, the mandate to obtain and maintain health insurance applies to you beginning on the first day of the third 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 August 1. In this example, do not count the months of January through July because the mandate did not apply.

If you moved out of Massachusetts during 2010, the mandate to obtain and maintain health insurance 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 2010, the mandate to obtain and maintain health insurance 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 31. In this example, do not count the months of August through December because the mandate did not apply.

Line 8. Religious Exemption

Line 8a. 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 8a, go to line 8b.

If you (and your spouse if married filing jointly) answer **No** to line 8a, go to line 9.

If you are filing a joint return and one spouse answers **No** to line 8a but the other spouse answers **Yes**, the spouse who answered **Yes** must go to line 8b and the spouse who answered **No** must go to line 9.

Line 8b. If you are claiming a religious exemption but you received medical health care during tax year 2010, 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 8a and **No** on line 8b, 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 8a and 8b, go to line 9.

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

Line 9. Certificate of Exemption

The Commonwealth Health Insurance Connector Authority provided certificates of exemption to qualified taxpayers who applied in 2010.

- If you have a "**Certificate of Exemption**" issued by the Commonwealth Health Insurance Connector Authority for the 2010 tax year, a penalty does not apply to you. Fill in the **Yes** oval(s) in line 9 of Schedule HC and enter the certificate number in the space provided. **Note:** Only enter the **numbers** of the Certificate of Exemption. Do **not** enter letters, spaces or dashes. For example, if the certificate number on your Certificate of Exemption is AMLI123456-78, enter in the spaces provided 12345678. 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 9, go to line 10.
- If you are filing a joint return and one spouse answers **Yes** to line 9 but the other spouse answers **No** to line 9, 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 10.

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

Lines 10, 11 and 12. Affordability As Determined By State Guidelines

Taxpayers who had four or more consecutive months without health insurance that met Minimum Creditable Coverage in 2010 may be subject to a penalty if they had access to affordable health insurance that met MCC requirements.

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 7,

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 the Schedule HC Worksheets for Lines 10, 11 and 12 if you were uninsured for all of 2010 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 That Met Minimum Creditable Coverage section of line 7).

To complete these worksheets, you will need to have your completed 2010 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 2010. An employer's Human Resources Department should be able to provide this amount to you.

Filing an Appeal

If you are subject to a penalty for not obtaining health insurance in 2010, 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 2010 because you experienced a hardship. To establish a hardship, you must be able to show that, during 2010:

(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 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.

(d) 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.

(e) Your family size was so large that reliance on the affordability schedule (see Table 3: Affordability) to determine how much you could afford to pay for health insurance is inequitable.

(f) During 2010 you purchased health insurance that did not meet Minimum Creditable Coverage requirements, but which was close to or substantially met those requirements, and you felt that your circumstances prevented you from buying other insurance that met the requirements.

(g) During 2010 you purchased health insurance that did not meet Minimum Creditable Coverage requirements because that is all that your employer offered, and you felt that your circumstances prevented you from buying other insurance that met the requirements.

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 fluctuations in income or other changes in life circumstances that affect financial status 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.

Note: If you are filing an appeal, make sure you have calculated the penalty amount that you are appealing, but do not assess yourself or enter a penalty amount on your income tax return.

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 participate in 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.

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

Major 2010 Tax Changes

Filing Due Dates

Form 1 is due on or before April 19, 2011. Because of the observance of Emancipation Day in Washington, D.C. on April 15, 2011, federal returns otherwise due on April 15 will be treated as timely filed if they are filed on April 18, 2011. In Massachusetts, April 18, 2011 is Patriot's Day, a legal holiday in the Commonwealth. The filing due date for Massachusetts returns normally due on April 15 will therefore be April 19, 2011.

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

Most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable to them. 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. Adults who can afford health insurance are required to have coverage each month of the year, although 63-day gaps in coverage are allowed. The monthly penalties for failing to obtain affordable coverage for taxable year 2010 are set out in TIR 09-25 and are based on half of the minimum monthly insurance premium for which an individual would have qualified through the Connector.

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 2010. Taxpayers who did not have coverage for all of 2010, 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). Worksheets and tables are available 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 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 $970. 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 $764,000. For tax year 2010, an eligible taxpayer's total income cannot exceed $51,000 in the case of a single filer who is not a head of household filer, $64,000 for a head of household filer, and $77,000 for joint filers. 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 10-17 for more information.

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) 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, (xi) health savings accounts, and (xii) the federal exclusion from gross income of the COBRA subsidy under IRC sec. 139C. Note that because Massachusetts follows current code for business expenses, Massachusetts adopts the increased allowable deduction for taxable years beginning in 2010, from $5,000 to $10,000, for small business start-up expenditures. See IRC sec. 195(b). See TIRs 98-8, 02-11, 07-4, and 09-21 for further details on Massachusetts' personal income tax current Code provisions.

Conversion of Traditional IRA to Roth IRA in 2010

Under the federal "Tax Increase Prevention and Reconciliation Act of 2005" (P.L. 109-222), taxpayers regardless of income level are allowed to convert traditional IRAs to Roth IRAs effective for tax years beginning after December 31, 2009. Previously, only taxpayers with federal adjusted gross incomes of $100,000 or less could exercise this option.

For federal income tax purposes, for Roth IRA conversions completed in 2010, unless a taxpayer elects to include the entire amount of income in 2010, the amount includible in gross income as a result of the conversion is to be included in federal gross income half in 2011 and half in 2012. See IRC sec. 408A(d)(3). The amount includible in Massachusetts gross income may differ from the amount includible in federal gross income. However, a taxpayer must follow the federal rules regarding the year (or years) when the taxable amount is includible in Massachusetts gross income. For more information and a discussion of applicable Massachusetts adjustments, see TIR 10-8.

Parking, Combined Commuter Highway Vehicle Transportation and T-Pass Fringe Benefit — IRC sec. 132(f)

The federal exclusion amounts for tax year 2010 are $230 per month for qualified parking, and $230 per month for combined commuter highway vehicle transportation and transit passes. The federal American Recovery and Reinvestment Act of 2009 (P.L. 111-5 or "ARRA") temporarily increased the exclusion amount for combined commuter highway vehicle transportation and transit passes to $230 through the tax year 2010 (previously $120 per month). Massachusetts follows the January 1, 2005 Code and does not adopt the increased exclusion allowed by ARRA for combined commuter highway vehicle transportation and transit passes. The Massachusetts exclusion amounts for tax year 2010 are $230 per month for qualified parking, and $120 per month for combined commuter highway vehicle transportation and transit passes. For further discussion see TIR 10-20.

Temporary Increase in Earned Income Credit

For federal income tax purposes, the ARRA amended IRC sec. 32 to increase the earned income tax credit percentage for families with three or more qualifying children to 45% for 2009 and 2010. The ARRA also increased the threshold phase-out amounts for married couples filing joint returns to $5,000 above the threshold phase-out amounts for singles, surviving spouses, and heads of household for 2009 and 2010. The Massachusetts earned income tax credit equals 15 % of the federal earned income tax credit received by the taxpayer for the taxable year. Therefore, Massachusetts allows 15% of whatever the taxpayer receives federally under IRC sec. 32.

Temporary Increase in IRC Sec. 179 Expensing

Effective for tax years beginning in 2010 and 2011, for federal income tax purposes, the Small Business Jobs Act of 2010 increased the IRC sec. 179 election to expense property in its initial year from $250,000 to $500,000. The federal act also increased the sec. 179 overall investment phase-out threshold for the 2010 and 2011 tax years from $800,000 to $2,000,000. Further, the act allows up

to $250,000 of specified "qualified real property" to qualify for the expense election in 2010 and 2011. Massachusetts adopts these changes because sec. 179 is a trade or business expense deduction; these deductions are adopted by Massachusetts on a current Code basis.

Federal Deduction — Not Allowed

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

For federal income tax purposes, the Small Business Jobs Act of 2010 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 placed in service on or before December 31, 2010, and for certain longer production period property placed in service on or before December 31, 2011. Under 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.

Federal Deduction — Not Allowed

Domestic Production Activity Deduction — IRC sec. 199

For federal income tax purposes, a business entity that pays wages to employees and conducts eligible domestic production activities is allowed a deduction for domestic production activities under IRC sec. 199. Generally, in the case of a non-corporate taxpayer, the deduction allows a business with qualified production activities to deduct a specified percentage of its U.S. adjusted gross income. The percentage amount has been phased in gradually, and, beginning in 2010, the percentage is nine percent. Under 2004 legislation, Massachusetts decoupled from the production activity deduction allowed under IRC sec. 199, as amended and in effect for the current year. Therefore, Massachusetts does not adopt this deduction. See TIR 05-5.

Federal 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.

Large Installment Sales Addition to Tax

Chapter 131 of the Acts of 2010 added a new provision requiring that interest be paid on the deferred tax of certain installment sales, as required federally under section 453A(a)–(c) and 453(l)(2)(B). An addition to tax applies to taxpayers who have deferred the gain, and the tax associated with that gain, on non-dealer installment sales with a sales price over $150,000 if the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds $5 million. An installment sale addition to tax must also be paid on the deferred gain from the installment sale of timeshares and residential lots if the sale meets certain criteria. See G.L. c. 62C, sec. 32A.

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.

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;
- Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions.
- amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, certain worker's compensation, gifts, accident or life insurance payments, or certain payments received by Holocaust survivors; and

- compensation earned by members of the armed forces for service in a combat zone (excluded to the same extent as under federal law).

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

There are 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 (refer to military guidelines), and if your gross income is more than $8,000, you are required to file a Massachusetts resident income tax return. This applies even though you may be stationed outside of Massachusetts. The terms "legal residence" and "domicile" are used to denote that place where you have your permanent home and to which, whenever you are absent, you have the intention of returning. Nonresident military personnel stationed in Massachusetts may be subject to Massachusetts taxes and should file Form 1-NR/PY if they earn income from outside 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 treatment 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.

Military Spouses: On November 11, 2009, the Military Spouses Residency Relief Act (P.L. 111-97) was enacted. For tax years beginning on or after January 1, 2009, the Act prohibits a servicemember's spouse from either losing or acquiring a residence or domicile for purposes of taxation because of being absent or present in any U.S. tax jurisdiction solely to be with the servicemember in compliance with the servicemember's military orders. In general, for Massachusetts tax purposes, the new law will affect only servicemembers and their spouses who are domiciled in a state other than Massachusetts. For more information see TIR 09-23.

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 2010.

If your spouse died during 2010, you may still choose to file a joint return.

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

- a 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, 2010 (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 $970. The credit is refundable to the extent the credit exceeds the taxpayer's tax liability.

How Do I File a Decedent's Return?

A final income tax return must be filed for a taxpayer who died during the taxable year. This return should include income received until date of death. It must be signed and filed by his/her 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 Form M-1310, Statement of Claimant to Refund Due on Behalf of Deceased Taxpayer, with the refund claimant's name and Social Security number clearly printed.

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

Any income 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 Massachu-

setts Form M-1310 must be enclosed with the return so the refund check may be made payable to the proper person.

Should I Make Estimated Tax Payments in 2011?

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 WebFile 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 19, 2011.

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

If line 3 of the Form 1 Extension Worksheet is "0" and 100% of the tax due for 2010 has been paid through:

- withholding;
- timely estimated payments of tax;
- credits from your 2010 return; and
- an overpayment from the prior tax year applied to the next year's estimated tax,

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 WebFile 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 issued through DOR's WebFile 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 Interactive Voice Response (IVR) system. Setting up a small payment agreement will allow you to make monthly payments within a set time period to satisfy your unpaid liability.

Name and Address

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

Voluntary Contribution to State Election Campaign Fund

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

Veterans Benefits

Fill in the appropriate oval(s) for you, and/or your spouse if married filing a joint return, if you are a veteran who served in the Armed Forces of the United States in active service as part of Operation Enduring Freedom, Operation Iraqi Freedom 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.

Deceased Taxpayer

Be sure to fill in the appropriate oval if a taxpayer died during the taxable year. For further informa-

tion, refer to the section "How Do I File a Decedent's Return?"

Under Age 18

If you are under age 18 as of January 1, 2011, be sure to fill in the oval(s).

Name/Address Change

If you legally changed your name or address in 2010, 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.

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.

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, 2010. 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 2010; 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, 2010. 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 2010. 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 must 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, 2010, 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 2010 and who meet all of the other federal requirements may also be able to use this status. See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information, for more information.

Custodial Parent

Fill in the Custodial parent has released claim to exemption for child(ren) oval if you are claiming the head of household filing status and you have released your claim to one or more dependent exemptions on IRS Form 8332, or participated in a decree or agreement to allow the noncustodial parent to claim a dependency exemption.

Whole Dollar Method Required

The Department of Revenue 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 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 2011

You are allowed an additional $700 exemption if you were age 65 or over before January 1, 2011. 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 2010 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 2010, you are eligible for an exemption of the total amount of the fees paid during the year. Fees paid during 2010 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 2010 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 of your previously-taxed pension contributions.

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

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

Line 5. Interest from Massachusetts Banks

Enter in line 5a the total amount of interest received or credited to deposit accounts (term and time 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 2010 income tax return, you may file your Schedule(s) E on paper. Visit our website at www.mass.gov/dor to download a paper copy of the 2010 Schedule(s) 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 from box 1 of all Forms 1099-G, Certain Government Payments. 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 2010, 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 2010 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 Form 1, Line 12 Worksheet to calculate your Massachusetts child or disabled dependent/spouse care expense deduction.

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, 2010, 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, 2010, 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 2010 (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 2010 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 Schedule B, Line 36 and Schedule D, Line 19 Worksheet, 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)

If line 21 is less than $24,000, find the proper tax by using the tax tables found on the back cover of this booklet. If line 21 is greater than $24,000 multiply by .053 and enter the result in line 22.

Note: Personal income tax forms must provide an election to voluntarily pay tax at a rate of 5.85% on taxable income which would otherwise be taxed at a rate of 5.3%. 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 col-

lectibles). 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.

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 and/or Additional Tax on Installment Sale

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 and fill in the appropriate oval(s) on line 25. 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.

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

Include in the total on line 25 an additional tax amount representing an interest charge on the deferred tax on gain from certain installment sales with a sales price over $150,000 if you are not a dealer and the aggregate face amount of installment obligations arising during the tax year and outstanding as of the close of the tax year exceeds $5 million. For more information see G.L. c. 62C, sec. 32A (a) and I.R.C. sec. 453A (a)–(c).

Also include in the total on line 25 an additional tax amount representing an interest charge on the deferred gain from the installment sale of timeshares and residential lots, if the sale meets one of the following criteria: 1) the sale is of a timeshare right for 6 weeks or less; 2) the sale is for the recreational use of specified campgrounds; or 3) the sale is for a residential lot and neither the dealer nor someone related to the dealer is obligated to make any improvements on the lot. For more information see G.L. c. 62C, sec. 32A (b) and I.R.C. sec. 453(l)(2)(B).

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

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

Massachusetts Adjusted Gross Income (AGI)

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

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

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

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

Massachusetts AGI

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

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

Complete the Form 1, Line 26 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.

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 and/or Additional Tax on Installment Sale, 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 28. Limited Income Credit

Complete the Form 1, Line 28 Worksheet to see if you may qualify for the Limited Income Credit.

Line 29. Other Credits (from Schedule Z)

Enter the total from Schedule Z, line 13. 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. For information on how to become an organ donor, visit the Registry of Motor Vehicle's website at www.mass.gov/rmv.

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.

Line 33. Massachusetts Use Tax Due On Out-of-State Purchases Made in 2010

A Massachusetts use tax of 6.25% 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. 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 6.25%. 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 2010 that are subject to the Massachusetts use tax.

Complete the Form 1, Line 33 Worksheet to calculate your use tax. For more information about use tax, visit DOR's website at www.mass.gov/dor.

Line 34. Health Care Penalty

If you are subject to the Health Care Penalty for 2010 and are not appealing the application of the penalty, enter the penalty amount from line 8 of the Health Care Penalty Worksheet 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 Health Care Penalty Worksheets must be filled out to calculate the separate penalty amounts for you and your spouse, using your married filing jointly income.

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), LOA (Loan Out Affidavit), 2G, K-1, 2K-1, 3K-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. 2009 Overpayment Applied to Your 2010 Estimated Tax

Include the exact amount of any 2009 overpayment you applied to your 2010 estimated taxes from your 2009 Massachusetts Form 1, line 45 or Form 1-NR/PY, line 50. Do not include any 2009 refund in this line.

Line 38. 2010 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income tax for 2010, enter in line 38 the total of all Massachusetts estimated tax payments. Be sure to include any last quarter (of 2010) payment made on or before January 15, 2011. Do not include any 2009 overpayment applied to your 2010 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 WebFile 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 or profession;
- income from any estate or trust not taxed directly;
- certain pensions;
- taxable Keogh or IRA distributions (only if you elected not to have federal withholding);
- rental, royalty or REMIC income;
- unemployment compensation (from which no Massachusetts income tax was withheld);
- alimony received;
- distributions from SIMPLE accounts;
- 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 2010 on or before April 19, 2011, 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 $48,362. 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 41a; or 1040EZ, line 9a. 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 18, 2011, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See the Form 1 Extension Worksheet 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 $970 for the tax year beginning January 1, 2010. 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. Other Refundable Credits

Enter in line 42 the amount from Schedule RF, line 3.

Refund Amount

Line 45. Amount of Overpayment You Want Applied to Your 2011 Massachusetts Estimated Tax

Enter the amount of your 2010 overpayment that you wish to apply to your 2011 Massachusetts estimated tax. Once an election is made to apply your overpayment to your 2011 estimated tax, it cannot be refunded later or applied to any additional tax you may owe for 2010. The amount entered in this line can only be claimed as a credit on your 2011 Massachusetts return.

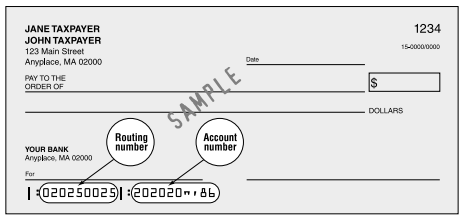
Line 46. Refund Amount

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 WebFile 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") Payment: If your payment is not honored by your bank because of insufficient funds or any other reason, a penalty may be added of $30 or the amount of the payment, whichever is less.

Addition for Underpayment of Estimated Tax: You will generally be subject to this addition to tax if you did not have withholding and/or estimated payments equal to 80% of the total tax liability required to be paid and your 2010 tax due after credits 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, 2011;
- you were a Massachusetts resident and were not liable for 2009 taxes (where the taxable year was 12 months); or
- the sum of your estimated payments and withholding equals or exceeds your 2009 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 2009 or 2010 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. 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 2010 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 2011 tax return. This is April 15, 2012 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 the inside front cover for this information.

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

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

Schedule DI

Dependent Information

Be sure to enclose with Form 1.

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

Note: When completing the Schedule X, Line 2 Worksheet, enter in line 1 the amount of Roth IRA conversions occurring in 2010 only if you made a federal election to include the applicable conversion amount in gross income in 2010. See TIR 10-8 for more information.

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 Schedule Y, Line 1 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 Schedule Y, Line 1 Worksheet.

Line 2. Penalty on Early Savings Withdrawal

If you were charged a penalty because of early withdrawal of savings, and interest on the savings that such a penalty relates to income reported in line 5a or line 20 of this return or on a prior year Massachusetts return, you may deduct the penalty. This deduction is the same as the amount allowable on U.S. Form 1040, 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 2010 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."

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 jury duty pay given to your employer as "Jury pay"; 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.

◗ **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. Complete the Form 1, Line 26 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.

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

Complete the Schedule Y, Line 15 Worksheet to calculate the commuter deduction. See TIR 06-14 for additional information.

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. **Note:** You **must** enclose Schedule LP with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

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. **Note:** You **must** enclose Schedule EOAC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

Line 3. 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 3. **Note:** You **must** enclose Schedule SC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

Note: Betterment assessments do not qualify for this credit.

Line 4. 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, 2013, and the time for incurring eligible costs that qualify for the credit is extended to January 1, 2014. See TIR 10-15 for more information. If you qualify for this credit, complete Massachusetts Schedule BC, Brownfields Credit, and enter the amount of credit in line 4. Also, be sure to enter the DOR-issued certificate number in the space provided on line 4. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right. Certificate application forms and additional information are available at www.mass.gov/dor.

Line 5. 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 5. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right.

Line 6. 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 6. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Be sure to omit hyphens, spaces, decimals and other special symbols. Also, enter the number from left to right.

Line 7. 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 7. Also, be

sure to enter the DOR-issued certificate number in the space provided on line 7. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right. 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 Schedule RF, line 1.

Line 8. 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 8. Also, be sure to enter the DOR-issued certificate number in the space provided on line 8. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Enter the number from left to right. Certificate application forms and additional information are available at www.mass.gov/dor.

Part 2 Credits for Residents and Part-Year Residents Only

Line 10. 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 10 Worksheet and enter the amount of credit in line 10. 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 the worksheet is the smaller of the amount of taxes due to other jurisdictions (net of certain adjustments) or the portion of your Massachusetts tax due on your gross income that is taxed in such other jurisdictions.

Credit is not given for a property tax due to another jurisdiction on account of capital stock or property. This does not refer to a tax on gain or income from the sale of capital stock or property, as included on Schedule B or 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 the worksheet to calculate credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, enter in line 1 such income taxed in another jurisdiction calculated as if it was earned in Massachusetts.

- If you choose to pay the optional 5.85% tax rate, substitute .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. Taxpayers from a territory or dependency of the U.S., or the Dominion of Canada or any of its provinces, must enter "FC" as the postal code.

Line 11. Solar and Wind 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 11. **Note:** You **must** enclose Schedule EC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

Schedule RF

Other Refundable Credits

Line 1. 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 7.

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

Note: You **must** enclose Schedule RFC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

Line 2. Refundable Dairy Credit

The Massachusetts dairy farmer tax credit was established to offset the cyclical downturns in milk prices paid to dairy farmers and is based on the U.S. Federal Milk Marketing Order for the applicable market. A taxpayer who holds a certificate of registration as a dairy farmer pursuant to G.L. c. 94, s. 16A is allowed a refundable tax credit based on the amount of milk produced and sold. The dairy farmer tax credit as originally enacted was 90% refundable. Under recent legislation, the dairy farmer tax credit is now 100% refundable.

Enter the amount of refundable dairy credit from the Department of Agricultural Resources' Dairy Farmer Certified Tax Credit Statement.

Also, be sure to enter the Department of Agricultural Resources-issued certificate number in the space provided on line 2 of Schedule RF. **Note:** You **must** enter the certificate number on Schedule Z. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax. Be sure to omit hyphens, spaces, decimals and other special symbols. Also, enter the number from left to right.

Line 3. Total Refundable Credits

Add lines 1 and 2. Enter the result here and on Form 1, line 42.

Schedule B

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

Interest, Dividends and Certain Capital Gains and Losses

You must file Massachusetts Schedule B if you had:

- dividend income in excess of $1,500;
- any interest income other than from Massachusetts banks taxed at 5.3%;
- 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; or distributions that are returns of capital.

Part 1. Interest and Dividend Income

Line 1. Total Interest Income

Enter your total interest income from your U.S. Form 1040 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) only if it has been included in lines 1 or 3 of this schedule:

- 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; 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 2009 Massachusetts Schedule B, line 40.

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 2011

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 line 26 is greater than zero and there is an entry on line 11.

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

Example: *Jack has a long-term capital gain on collectibles of $1,000 entered in line 11 and line 15. He does not have any other interest income (other than interest from Massachusetts banks) and dividend income. Jack also has a short-term capital loss of $100 entered in line 16 and a prior year short-term unused loss of $200 entered in line 18. Jack enters $350 in line 27:* ***$500 (50% of $1,000) 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 Schedule B, Line 36 and Schedule D, Line 19 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).

Schedule D

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

Long-Term Capital Gains and Losses Excluding Collectibles

You must complete Massachusetts Schedule D if you had long-term gains or losses from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return, or if you had capital gain distributions. If you did not file U.S. Schedule D but are reporting capital gain distributions on U.S. Form 1040, line 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 2010 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 "2010 gain from pre-1996 installment sale."

Note: If you are reporting an installment sale occurring on or after January 1, 2003, report those gains on Schedule D. If you are reporting capital gains on installment sales that occurred during January 1, 1996 through December 31, 2002, do **not** file Schedule D. Instead, you must file Schedule D-IS, Installment Sales. Schedule D-IS can be obtained on DOR's website at 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 2009 Massachusetts 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 Schedule B, Line 36 and Schedule D, Line 19 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. Also, be sure to enclose with Form 1.

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 2010, 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 2010. 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 separate Schedule Cs.

Line 4. Other Income

If you received bartering income, you must report the fair market value of goods or services received in payment for your goods and services in line 4. Do not include interest income (other than from Massachusetts banks) and dividends here (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, 2010, the maximum section 179 expensing allowance is $500,000.

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 $970 for the tax year beginning January 1, 2010. See TIR 10-17 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 2010 (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 2010 tax year, a taxpayer must be 65 years of age or older before January 1, 2011 (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 $51,000 for a single filer who is not the head of a household, $64,000 for a head of household, or $77,000 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 $764,000.

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 2010 tax year can claim the credit by submitting a completed Schedule CB, Circuit Breaker Credit, with their 2010 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 2010

Be sure to fill in the appropriate oval. If you were a renter in 2010 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, 2010

Enter the amount of the assessed value of your principal residence as of January 1, 2010. If you own a multi-family home, mixed-use property, or more than one acre of land, only the assessed value of your principal residence, together with the land that immediately surrounds and is associated with that residence, not to exceed one acre, should be used. If the assessed value is over $764,000, 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, 2010.

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

Enter in line 4 the amount of Social Security benefits received in 2010. Social Security benefits include retirement, disability, dependent, survivorship and insurance. Medicare premiums withheld from Social Security payments should **not** be excluded.

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

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

Line 6. Miscellaneous Income Including Cash Public Assistance

Enter the amount of miscellaneous income, including cash public assistance, received during 2010. This includes but is not limited to food stamps and welfare payments, disability income, gifts, sick pay and worker's compensation.

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 2010 for Your Principal Residence

Enter the amount of real estate taxes paid in calendar year 2010. 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 2010 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 2010

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 2010 in line 13.

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

Line 18. Rent Paid for Your Principal Residence in 2010

Enter in line 18a the total amount of rent paid for your principal Massachusetts residence in 2010. 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.

2010 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 $10, your tax is "0."

25M 12/10 2011JMBPRINTOFF15010

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