

Massachusetts Tax-Aide NonResident/Part-Year Returns

Tax Year 2019

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Preface

This document provides instructions for Massachusetts Tax-Aide volunteers to prepare Massachusetts Nonresident, Part-Year Resident, and combined Nonresident/Part-Year Resident Returns.

Before completing any of these returns you must:

- Have a copy of the Massachusetts Form 1-NR/PY instructions available and be familiar with the definitions and unique requirements of these returns.
- Verify that the return is within scope for Massachusetts Tax-Aide volunteers (see scope table for more information). As always, if you don't know how to do something, it is out-of-scope (OOS) for you.
- Check the list of TaxSlayer Pro Online (TSO) limitations to ensure there are no issues that might preclude preparation of an accurate return.

Limitations

- None known.

Conventions

- The bolded text is used to identify TSO data entry screen verbiage.
- All page numbers refer to the Massachusetts Form 1-NR/PY Instructions.

Scope

	NR	PY
Deductions		
Line 15 Amount paid to SS/Medicare (MA income only)	A	C
Line 16 Dependent care	B	C
Line 17 Dependents	B	D
Line 18 Rent	NA	MA Rent Only
Schedule Y		
Line 1 Reserved	NA	
Line 2 Penalty on early withdrawal	A	C
Line 3 Alimony paid	B	C
Line 4 Amount excludible under MGL	Out of Scope	
Line 5 Moving expenses (Military certification only and MA employment only)	A	C
Line 6 MSA deduction	Out of Scope	
Line 7 Self employed health ins deduction	A	C
Line 8 HSA deduction	B	D
Line 9 Certain qualified deductions/biz expenses	A	C
Line 10 Student loan interest deduction	B	D
Line 11 College tuition deduction	NA	
Line 12 Undergrad student loan interest deduction	B	D
Line 13 Deductible amount of qualified contributory pension income from another state	A	C
Line 14 Claim of right deduction	Out of Scope	
Line 15 Commuter deduction	B	D
Line 16 Human organ donation deduction	Out of Scope	
Line 17 Certain Gambling Losses (Plainridge, MGM Springfield, and Encore only)	A	C
Line 18 Prepaid tuition or college savings program deduction		
Credits		
Limited Income Credit	Automatically Calculated	
Income tax paid to another state (OJCJ)*	NA	NA
Circuit Breaker (only while MA resident)	NA	
EITC (MA earned income only)	NA	
Septic Credit (MA primary residence only)	**	
Lead Paint Credit (MA property only)		
All other credits	Out of Scope	

*Automatically calculated for a MA resident return if other state NR return prepared first.

** Carryover credits from previous MA ownership only

NA = Not Applicable

- A Only amounts related to MA source income
- B Prorated by ratio of MA source income to total income
- C Only amounts incurred while MA resident
- D Prorated by percent of time as MA resident

Nonresident Returns

Overview

A taxpayer is considered a Nonresident if he/she/they did not reside in Massachusetts during the tax year, but did receive Massachusetts income. See the instructions for additional detail because some taxpayers are required to file as a full-year resident even if they did not spend the full-year in state.

The key to preparing a nonresident return is understanding what constitutes Massachusetts source income, what deductions apply to that, and how other deductions and exemptions are pro-rated using the calculated Nonresident Deduction and Exemption Ratio. TSO will calculate and use this ratio if you enter the appropriate information (see detailed instructions below).

For a definition of Massachusetts source income for nonresidents, see Form 1-NR/PY instructions, page 6. See page 14 for detailed information on the deduction and exemption information. The following is a brief summary of that information:

Since nonresidents are only taxed on income from Massachusetts sources, the deductions and exemptions allowed to them are limited by the amount of this income. This happens in two ways. The deductions in line 15 and Schedule Y lines 2, 4, 5, 7, 9 (certain amounts only), 13 and 17 must be matched to specific items of income taxed on Form 1-NR/PY. Note that there are no unique nonresident restrictions on the Schedule Y line 18 Prepaid Tuition or College Savings Plan Deduction.

*Other deductions and all exemptions must be prorated by the ratio of a taxpayer's Massachusetts source income to his/her total income. All nonresident taxpayers must complete lines 14a to 14g to arrive at the **Nonresident Deduction and Exemption Ratio** (line 14g). The ratio will be used to determine what amounts, if any, you may deduct on lines 16 and 17; Schedule Y lines 3, 6, 8, 10, 12, 15; and the amount of your exemptions in line 22. Note that if a taxpayer has Social Security which is all or partially taxable, that amount must be entered as a negative number on the Deductions menu: **Enter Adjustment to US total income for amounts not taxable in Massachusetts.***

For Tax-Aide MA Non-Resident returns, Massachusetts source income includes MA wages, MA self-employment income, MA unemployment, Mass state lottery, and Mass gambling (Plainridge, MGM Springfield, and Encore Boston Harbor casinos).

After completing the federal return, go to the State Section. Select “Add State Return(s)”, choose “MA”, click “Continue,” then “Nonresident” for return type, and click “Continue.” If TaxSlayer automatically created a MA return, you must delete the “Resident” MA return before creating the “Nonresident” one.

Basic Information

- **Did your name and/or address change from a prior year tax return?** Select the appropriate response. If you do not select anything, the default answer is “No.”
- **Are you a veteran of the US armed forces who served in Operation Enduring Freedom, Iraqi Freedom, Noble Eagle or Sinai Peninsula?** Select the appropriate response. If you do not select anything, the default answer is “No.”
- **Enter an explanation if there is a difference between line a, Total Federal Income, and 14f, Total Income, of Form 1 NR-PY that is greater than 10%.** Note: It may be difficult to answer the question before you complete the return, but if you ignore this question, TSO will prompt you to answer it later if the difference is greater than 10%. Common explanations include pensions that are not taxable in MA; Social Security income that is taxed federally, but not in MA.
- **Are you a noncustodial parent?** Select the appropriate response. If you do not select anything, the default answer is “No.”

Income Subject to Tax

- **Schedule B.** For Nonresident returns, Schedule B is highly unlikely (it is necessary only if the income is MA source).
- **Schedule C.** If the taxpayer has one or more Schedule Cs, you can either pull all or none of them from the federal return. If there are multiple Schedule Cs and they are associated with different states, you must enter the MA Schedule C information manually. In that case, you will also have to make a manual adjustment to the Social Security and Medicare amounts paid (see Other Deductions).
- **Schedule D.** For Nonresident returns, Schedules D is highly unlikely (it is necessary only if the income is MA source).
- **Schedule E.** For Nonresident returns, Schedule E is highly unlikely (it is necessary only if the income is MA source).
- **Schedule F.** Out of scope.
- **Massachusetts Lottery Winnings.** Enter the total cost of all winning Massachusetts lottery tickets.

Additions to Income

- **Enter Allocated Tips reported in box 8, Form W-2 and Scholarships Taxable to MA.** For tips, enter the total amount from Box 8 of all W-2s that are Massachusetts wages. In addition, look at US Form 4137 and enter the amount of additional Social Security and Medicare taxes associated with the Massachusetts allocated tips on the Enter amount to

adjust your retirement deductions line. For scholarships, enter the amount of MA taxable scholarships.

- **Enter interest income included on your return received from Massachusetts banks.** Enter interest from a Massachusetts bank only if it is related to a Massachusetts trade, business, profession, partnership or S corporation, or to the ownership of real estate or tangible personal property located in Massachusetts.
- **Enter the taxable IRA/Keogh and Roth IRA conversion distributions.** Leave blank. IRAs are not taxable for nonresidents.
- **Enter the amount to adjust from Form 1, Line 9 (as a negative number) to account for the conversion amount entered above.** Leave blank. IRAs are not taxable for nonresidents.
- **Enter alimony received.** Leave blank. Alimony is not taxable for nonresidents.
- **Enter additional fees and other 5.1% income.** If the client has other income on US Schedule 1, line 8 from a Massachusetts source enter the amount. Note that if this income is reported on a 1099-MISC and there is MA withholding, TSO will carry the withholding to Form 1 NR/PY line 42.
- **Enter the description of fees and other 5.1% income.** If the client has other income on US Schedule 1, line 8 that is from a Massachusetts source enter the description.
- **Enter Massachusetts taxable pension income.** It is highly unlikely that Tax-Aide clients would have pension income that falls into this category. See the list in the Form 1-NR/PY instructions, page 12.

Deductions

- **Enter the total amount of the adoption fees paid to a licensed adoption agency.** [Form 1-NR/PY line 4f] Out of scope.
- **Enter Medical and Dental expenses claimed on Federal Schedule A.** [Form 1-NR/PY line 4e] Leave blank, this is carried over from the federal return.
- **Enter amount to adjust your retirement deduction; Social Security and Medicare withholdings are already pulled.** [Form 1-NR/PY lines 15a/b] Enter the amount of mandatory retirement contributions listed in W-2, box 14 for federal, state, municipal, or railroad employees, the calculated amount of self-employment tax (see US Schedule SE), and/or the amount of Social Security and Medicare taxes associated Massachusetts allocated tip income (see US Form 4137). The amount entered must be associated with MA source income and should not exceed \$2000 per person (taxpayer and spouse). If you pull the federal Schedule Cs forward, the amount of self-employment tax will also be carried forward. If you manually create a MA Schedule C, you must manually calculate the amount of self-employment tax.
- **Enter income excludible under MGL Ch. 41, sec 111F and/or Military Spouse Nonresident income.** [Schedule Y, line 4] This is only in scope for Military Spouse Nonresident income.
- **Enter income exempt under U.S. tax treaty.** [Schedule Y, line 4] Out of scope.
- **Enter claim of right deduction.** [Schedule Y, line 14] Out of scope.
- **Enter the deductible amount of qualified contributory pension income from another state or political subdivision included in income.** [Schedule Y, line 13] See the

Massachusetts Resource Guide Appendix A for state by state detail of what can be excluded. Enter only the amount associated with MA source income. This is highly unlikely for a non-resident.

- **Enter the amount of student loan interest that is for undergraduate studies. ONLY enter an amount here if you were disallowed part of your student loan interest on your federal return.** [Schedule Y, line 12] See additional criteria in the instructions for Schedule Y, line 12. Enter only the amount meeting these criteria that exceeds the amount allowed on the federal return.
- **Enter Penalty on early savings withdrawal.** [Schedule Y, line 2] Enter the total early withdrawal penalty associated with MA interest income.
- **Enter Moving expenses.** [Schedule Y, line 5] For military certification only, enter the amount from US Form 1040, line 26 that is related to Massachusetts employment only.
- **Enter Self-employed health insurance deduction.** [Schedule Y, line 7]. Enter the amount associated with MA Schedule C income only.
- **Enter Medical savings account deduction.** [Schedule Y, line 6] Out of scope.
- **Enter health care accounts deduction.** [Schedule Y, line 8] Leave blank, this is carried automatically from the federal return.
- **Enter certain qualified deductions from US Form 1040.** [Schedule Y, line 9] Entries here include MA jury duty pay given to the employer (unlikely for a non-resident) or repayment of unemployment benefits.
- **Enter certain business expenses from US Form 1040.** Out of scope.
- **Enter Adjustment to US total income for amounts not taxable in Massachusetts. (line 14e - Non-Massachusetts source income).** Enter *as a negative number* the amount to adjust the federal income reported on Form 1040, line 7b to subtract items that are not taxed in Massachusetts (e.g., taxable Social Security, government pensions, etc.) and add items that are taxed in Massachusetts, but not federally (e.g., non-Massachusetts municipal bond interest, contributions to a pension plan by Massachusetts state or local employees, etc.). Do not include W-2 income earned in another state – it will be subtracted out automatically. *This entry is extremely important because it determines the ratio for Nonresident exemptions and deductions.*
- **Certain Gambling Losses.** [Schedule Y, line 17] See instructions for certain Gambling Losses. Enter only the amount of losses for Plainridge Park Casino, the Springfield MGM Casino, and the Encore Boston Harbor Casino, but not more than the winnings there.
- **Prepaid Tuition or College Savings Plan Deduction.** Enter the amount of the contribution to a pre-paid tuition program or college savings program *established by the Commonwealth.* Currently, the only such program is available through the Massachusetts Educational Financing Authority (MEFA).
- **Commuter Deduction**
 - **Enter amount paid for tolls through an EZ-Pass account.**
 - **Enter amount paid for weekly or monthly transit commuter passes for MBTA transit or commuter rail.**

Other Deductions (each of these has a submenu)

- **Child under age 13, or disabled dependent/spouse care expenses** [Form 1-NR/PY, lines 16] Enter amount of dependent care expenses only if they exceed \$3600 for one person and \$7200 for two people (up to a maximum of \$4800/\$9600)
- **Allowable employee business expenses.** This applies to National Guard and Reserve members, performing artists and fee-based government officials only, for income related to Massachusetts employment.
- **Social Security and Medicare Differences in W-2 and calculated amounts.** For Nonresident returns, TSO calculates Social Security and Medicare paid based on STATE wages (using the standard 6.2% for Social Security and 1.45% for Medicare) and does not use the amounts entered on the W-2. If the actual amounts paid into Social Security or Medicare (per the W-2(s)) are not those calculated amounts, you must enter an adjustment for each. Examples of situations in which though might happen would be if the taxpayer paid into a 401K plan or was a state or municipal employee and did not pay into Social Security.
- **Rental Deduction** [Form 1-NR/PY, lines 18] Leave blank unless you can answer YES to the following question.
- **Answer YES to this question if during the tax year you did not have a family home or any other dwelling outside MA to which you generally or customarily returned or intend to return to in the future.** [Form 1-NR/PY, lines 18] Leave blank (almost never applies to nonresident returns).

Credits

- **Lead Paint – Schedule LP.** Complete as appropriate. Remember that the subject property MUST be in Massachusetts.
- **Septic – Schedule SC.** This only applies for carryover credits from previous MA home ownership.
- **Other Nonrefundable Credits – Schedule CMS.** Out of scope.
- **Other Refundable Credits – Schedule CMS.** Out of scope.

Tax

Leave this section blank. If the taxpayer is likely to owe a penalty, do not calculate it, but warn the taxpayer that he/she/they may be liable for one and that the DOR would calculate it.

Voluntary Contributions

- **Endangered Wildlife Conservation Fund**
- **Organ Transplant Fund**
- **Massachusetts Public Health HIV and Hepatitis Fund**
- **Massachusetts US Olympic Fund**
- **Massachusetts Military Family Relief Fund**
- **Homeless Animal Prevention and Care**

Complete as applicable, but these are very rarely used.

Payments

- **Amount of state refund that you would like to apply to next year.** Enter the amount as appropriate.
- **Prior year overpayment applied to current year.** Enter the amount of last year's refund applied to this year's tax.
- **Massachusetts Extension Payment.** Enter the amount paid with extension request.
- **PFML amount included in withholding pulled from federal Forms W-2 and/or 1099-MISC.** Enter only if PFML was included in state withholding on 1099-MISC.
- **Excess Paid Family Leave Withholding.** Complete as appropriate.
- **Additional Withholding.** Any MA withholding entered in the federal section is carried to Form 1 NR/PY line 42 by TSO.

Miscellaneous Forms

- **Estimated Payment Vouchers, Form 1-ES.** Complete if the taxpayer wants to make estimated payments.
- **MA Form M-2210 Underpayment of Estimated Income Tax.** Leave blank. Inform the taxpayer they may be subject to a penalty if the tax owed is more than \$400.
- **Form M-8379 – Nondebtor Spouse Claim.** Complete as appropriate.
- **Form M-1310 – Claim of Decedents Refund.** Complete if non-spouse is filing to claim a decedent's refund.
- **Form M-4868 – Application for Automatic Six-Month Extension.** Complete as appropriate, however, we recommend not filing extensions except in extraordinary situations.

Part-Year Resident Returns

Overview

A taxpayer is considered a part-year resident if, during the taxable year, he/she/they moved to Massachusetts and established a permanent place of abode here and became a resident or he/she/they terminated his/her/their status as a Massachusetts resident to establish a residence outside the state. Note that if a part-year resident earned Massachusetts source income while a nonresident, he/she/they must file as both a part-year resident and a nonresident (see section on combined Part-Year and Nonresident Returns).

The first step in preparing a part-year resident return is to allocate all income to the applicable period – either the resident or nonresident period. This requires discussion with the taxpayer as well as careful examination of all tax documents to ascertain when the income was received, state tax withholding, etc. Use of a part-year resident worksheet is *highly* recommended – see the appendix for a sample Massachusetts Part-Year Worksheet.

Some deductions for part-year residents will be pro-rated based on the length of time as a MA resident while others apply only to expenses incurred while a MA resident. See the detailed instructions below for specifics.

After completing the federal return, go to the State Section. If there is a MA return started (based on the data entered in the federal section), delete it. Select “Add State Return(s)”, click “Continue,” choose “MA,” then “Part-Year” for return type, and click “Continue.”

Health Care Information – Schedule HC

Complete this section as if preparing a resident return, considering only the time the taxpayer was a resident of Massachusetts and required to have health insurance. For Part Year residents who move out of Massachusetts, the mandate to have health insurance applies up to the last day of the last full month of residency. For Part Year residents who move into Massachusetts, the mandate to have health insurance applies starting the first day of the third month following the month the taxpayer moved to Massachusetts. If the taxpayer had insurance for all required months, then answer “Full-year MCC” in Basic Questions. Since most taxpayers have full-time insurance, most will require completion of the Basic Questions and Health Insurance Plan Information sections only. Complete the Months Covered, Exemption Questions, and Affordability Questions sections only if the taxpayer had partial or no coverage during the time the mandate applied.

Basic Information

- **Enter your Beginning Residency Date (Enter as follows: MMdyyyy):** Enter the date. Use January 1 if the taxpayer moved out of MA.
- **Enter your Ending Residency Date (Enter as follows: MMdyyyy):** Enter the date. Use December 31 if the taxpayer moved into MA.
- **Did your name and/or address change from a prior year tax return?** Select the appropriate response – most likely “Yes.”
- **Would you like to give to the State Election Campaign Fund?** Select the appropriate response. If you do not select anything, the default answer is “No.”
- **[If applicable] Select YES if you are a Custodial Parent [filing HOH] 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.** Select the appropriate response. If you do not select anything, the default answer is “No.” If the correct answer is yes and you fail to say so, the efiled return could be rejected.

Income Subject to Tax

All wage income is carried over from the federal return based on the state information entered.

- **Exempt Pensions and Annuities.** Enter the sum (as a negative number) of all MA tax-exempt pension/annuity income plus the sum of all pension/annuity income received while not a Massachusetts resident.
- **Schedule B.** Enter only that income received while a MA resident.
 - Total interest income. Enter all taxable, non-Mass bank interest received.
 - Total ordinary dividends.

- o Enter the Short term capital gains from Federal Schedule D.
- o Enter other interest and dividend income not taxable on federal return.
- o Enter the description of other interest and dividend income entered above.
- o Enter interest and dividends not taxable to Massachusetts included on federal return.
- o Description of interest and dividends not taxable to Massachusetts entered above.
- o Enter allowable deductions from your trade or business.
- o Enter your prior short-term unused losses for years beginning after 1981 (enter loss as a negative number).
- **Schedule C.** If the taxpayer has Schedule C income and it is all from the period as a MA resident, you can pull it directly from the federal return. If you do not select anything, the default answer is “No.” If there are multiple Schedule Cs, you cannot select which to import, it’s all or none. If the taxpayer has Schedule C income while a resident and nonresident, do not pull the data automatically from the federal return. Instead, you must manually create a MA Schedule C.
- **Schedule D.** See Part-Year Worksheet. *Enter only that income received while a MA resident.* Review the tax documentation carefully and print out US Schedule D for reference. Note that TSO does not show you the amount of capital gain on the federal return. You must note the total and identify the MA portion before entering this screen.
 - o Enter the long-term capital gains or losses included in US Schedule D, line 8a and 8b, column h.
 - o Enter the long-term gains or losses included in US Schedule D, line 9, column h.
 - o Enter the long-term gains or losses included in US Schedule D, line 10, column h.
 - o Enter the Gain from Sales of Business Property and Other Long-Term gains or losses included in US Schedule D, line 11, column h (Out of Scope).
 - o Enter the Net Long-Term Gain or Loss from Partnerships, S Corporations, Estates or Trusts included in US Schedule D, line 12, column h.
 - o Enter the Capital Gain Distributions reported to you by a mutual fund or real estate investment trust (included in US Schedule D, line 13, col h or in US Form 1040, line 13).
 - o Enter Massachusetts Long-term capital gains and losses included in US Form 4797, Part II (Out of Scope).
 - o Enter your Schedule D carryover loss from prior year as a negative number.
 - o Enter any differences between the gains or losses reportable for Massachusetts tax purposes and the U.S. gains or losses reported in Massachusetts Schedule D, lines 1 through 8.
- **Schedule E.** If a taxpayer has Schedule E income, you can pull it directly from the federal return. If you do not select anything, the default answer is “No.” If there are multiple Schedule Es, you cannot select which to import, it’s all or none. If there is a difference between the amount on the federal return and MA return, enter the amount and a description of the differences.
- **Schedule F.** Out of scope.
- **Massachusetts Lottery Winnings.** Enter the total cost of all winning Massachusetts lottery tickets. The amount of the winnings is automatically transferred from the federal return.

- **Other Gambling Winnings.** Enter the amount of gambling winnings while NOT a resident of MA.
- **Schedule R/NR.** Leave blank, Schedule R/NR is NOT used in a Part-Year Resident (only) return.

Additions to Income

- **Enter Allocated Tips reported in box 8, Form W-2 and Scholarships Taxable to MA.** Enter the total amount from Box 8 of all W-2s that are Massachusetts wages or MA taxable scholarship amounts.
- **Enter interest income included on your return received from Massachusetts banks.** Enter the interest income received from MA banks while a MA resident.
- **Enter the taxable IRA/Keogh and Roth IRA conversion distributions: Adjustment to Federal Amount** Enter the IRA distributions received while NOT a MA resident as a negative number.
- **Enter the amount to adjust from Form 1, Line 9 (as a negative number) to account for the conversion amount entered above.** Leave blank. Note that TaxSlayer will fill in automatically from the taxpayer (not spouse).
- **Enter alimony received.** Enter Alimony received while a MA resident.
- **Enter additional fees and other 5.1% income.** If the client has other income on US Form 1040, Schedule 1, Line 8 from a Massachusetts source enter the amount. Note that if this income is reported on a 1099-MISC and there is MA withholding TSO will carry the withholding to Form 1 NR/PY line 41.
- **Enter the description of fees and other 5.1% income.** If the client has other income on US Form 1040, Schedule 1, Line 8 that is from a Massachusetts source enter the description.

Deductions

- **Enter the total amount of the adoption fees paid to a licensed adoption agency.** [Form 1-NR/PY line 4f] Out of scope.
- **Enter Medical and Dental expenses claimed on Federal Schedule A.** [Form 1-NR/PY line 4e] Leave blank, this is carried over from the federal return.
- **Enter amount to adjust your retirement deduction; Social Security and Medicare withholdings are already pulled.** [Form 1-NR/PY lines 15a/b] Enter the amount of mandatory retirement contributions listed in W-2, box 14 for federal, state, municipal, or railroad employees, the calculated amount of self-employment tax (see US Schedule SE), and/or the amount of Social Security and Medicare taxes associated Massachusetts allocated tip income (see US Form 4137). The amount entered must be associated with income earned while a MA resident and should not exceed \$2000 per person (taxpayer and spouse). If you pull the federal Schedule Cs forward, the amount of self-employment tax will also be carried forward. If you manually create a MA Schedule C, you must manually calculate the amount of self-employment tax attributable to the period of MA residency and enter it here.
- **Enter income excludable under MGL Ch. 41, sec 111F.** [Schedule Y, line 4] Out of scope.

- **Enter income exempt under U.S. tax treaty.** [Schedule Y, line 4] Out of scope.
- **Enter claim of right deduction.** [Schedule Y, line 14] Out of scope.
- **Enter the deductible amount of qualified contributory pension income from another state or political subdivision included in income.** [Schedule Y, line 13] See appendix A for state by state detail of what can be excluded. Enter only the amount associated with income received while a MA resident.
- **Enter the amount of student loan interest that is for undergraduate studies. ONLY enter an amount here if you were disallowed part of your student loan interest on your federal return.** [Schedule Y, line 12] See additional criteria in the instructions for Schedule Y, line 12. Enter only the amount meeting these criteria that exceeds the amount allowed on the federal return.
- **Enter Penalty on early savings withdrawal.** [Schedule Y, line 2] Enter the total early withdrawal penalty while a MA resident.
- **Enter Alimony paid.** [Schedule Y, line 3] Enter the total alimony paid while a MA resident.
- **Enter Moving expenses.** [Schedule Y, line 5] For military certification only, enter the amount from US Form 1040, line 26 that is related to Massachusetts employment only.
- **Enter Self-employed health insurance deduction.** [Schedule Y, line 7]. If you pull the federal Schedule Cs forward, the amount of self-employment health insurance deduction will also be carried forward. If you manually create a MA Schedule C, you must manually calculate the amount of self-employment health insurance attributable to the period of MA residency and enter it here.
- **Enter Medical savings account deduction.** [Schedule Y, line 6] Out of scope.
- **Enter health care accounts deduction.** [Schedule Y, line 8] Leave blank, this is carried automatically from the federal return.
- **Enter certain qualified deductions from US Form 1040.** [Schedule Y, line 9] The only in scope entry allowed is MA jury duty pay given to the employer.
- **Enter certain business expenses from US Form 1040.** [Schedule Y, line 9] Out of scope.
- **Certain Gambling Losses.** [Schedule Y, line 17] See instructions for certain Gambling Losses. Enter only the amount of losses for Plainridge Park, the Springfield MGM, and the Encore Boston Harbor Casinos, but not more than the winnings there.
- **Prepaid Tuition or College Savings Plan Deduction.** Enter the amount of the contribution to a pre-paid tuition program or college savings program *established by the Commonwealth*. Currently, the only such program is available through the Massachusetts Educational Financing Authority (MEFA).
- **Commuter Deduction**
 - **Enter amount paid for tolls through an EZ-Pass account.**
 - **Enter amount paid for weekly or monthly transit commuter passes for MBTA transit or commuter rail.**

Other Deductions (each of these has a submenu)

- **Child under age 13, or disabled dependent/spouse care expenses** [Form 1-NR/PY, lines 16] Enter amount paid for dependent care while a MA resident.

- **Social Security and Medicare Differences in W-2 and calculated amounts.** For Part-Year returns, TSO calculates Social Security and Medicare paid based on STATE wages (using the standard 6.2% for Social Security and 1.45% for Medicare) and does not use the amounts entered on the W-2. If the actual amounts paid into Social Security or Medicare (per the W-2(s)) are not those calculated amounts, you must enter an adjustment for each. Examples of situations in which though might happen would be if the taxpayer paid into a 401K plan or was a state or municipal and did not pay into Social Security.
- **Rental Deduction** [Form 1-NR/PY, lines 18] Enter the amount of rent paid while a MA resident. This must be rent paid on a residence located in MA that was used by the taxpayer as the primary residence.

Credits

- **Credit for Taxes Paid to Another State.** Not used for part year (only) return.
- **Lead Paint – Schedule LP.** Complete as appropriate. Remember that the subject property MUST be in Massachusetts.
- **Septic – Schedule SC.** Complete as appropriate. Remember that the subject property MUST be in Massachusetts.
- **Solar/Wind Energy – Schedule EC.** Out of scope.
- **Other Nonrefundable Credits – Schedule CMS.** Out of scope.
- **Senior Circuit Breaker Credit – Schedule CB.** Complete as appropriate. Remember that the subject property MUST be the taxpayer’s primary residence in Massachusetts.
- **Other Refundable Credits – Schedule CMS.** Out of scope.

Tax

If the taxpayer chooses to pay the Use or Safe Harbor Tax, enter that information. Otherwise, leave this section blank. If the taxpayer is likely to owe a penalty, do not calculate it, but warn the taxpayer that he/she/they may be liable for one and that the DOR would calculate it.

Voluntary Contributions

- **Endangered Wildlife Conservation Fund**
- **Organ Transplant Fund**
- **Massachusetts Public Health and HIV Hepatitis Fund**
- **Massachusetts US Olympic Fund**
- **Massachusetts Military Family Relief Fund**
- **Homeless Animal Prevention and Care**

Complete as applicable, but these are very rarely used.

Payments

- **Amount of state refund that you would like to apply to next year.** Enter the amount as appropriate.

- **Prior year overpayment applied to current year.** Enter the amount of last year's refund applied to this year's tax.
- **Massachusetts Extension Payment.** Enter the amount paid with extension request.
- **PFML amount included in withholding pulled from federal Forms W-2 and/or 1099-MISC**
- **Excess Paid Family Leave Withholding.** Complete as appropriate.
- **Additional Withholding.** Any MA withholding entered in the federal section is carried to Form 1 NR/PY line 42 by TSO. Enter withholding *only* if it was not entered on the federal return.

Miscellaneous Forms

- **Estimated Payment Vouchers, Form 1-ES.** Complete if the taxpayer wants to make estimated payments.
- **MA Form M-2210 Underpayment of Estimated Income Tax.** Leave blank. Inform the taxpayer they may be subject to a penalty if the amount owed is more than \$400.
- **Form M-8379 – Nondebtor Spouse Claim.** Complete as appropriate.
- **Form M-1310 – Claim of Decedents Refund.** Complete if non-spouse is filing to claim a decedent's refund.
- **Form M-4868 – Application for Automatic Six-Month Extension.** Complete as appropriate, however, we recommend not filing extensions except in extraordinary situations.

Combined Part-Year/Non-Resident Returns

Overview

A taxpayer is considered a combined part-year/non-resident if, during the taxable year, he/she/they moved to Massachusetts and established a permanent place of abode here and became a resident or he/she/they terminated his/her/their status as a Massachusetts resident to establish a residence outside the state and while a nonresident had Massachusetts-source income.

You should download a Schedule R/NR Resident/Nonresident Worksheet from the DOR website and complete it (at least partially) before preparing the return in TSO. If the return has anything other than simple income items (wages, pensions, and bank interest), it's a good idea to complete the return as if the taxpayer were a full-year MA resident so you have the information needed for Schedule R/NR. You should also know what Form 1-NR/PY and Schedules B, D, X, and Y should look like when completed correctly.

Start the return as if preparing a Part Year return, excluding all income that is not taxable in MA (certain pensions, recovery of IRA contributions, tax-exempt interest, etc) and making all the income allocations between residency and non-residency periods required in the Income Subject to Tax and Adjustments to Income sections. Leave Schedule R/NR to the end.

Enter all Deductions, Credits, Use Tax, Voluntary Contributions, Payments, and Miscellaneous Forms information.

At this point, it's time to complete Schedule R/NR found under the Income Subject to Tax section.

Schedule R/NR

Were you a Massachusetts resident for part of the tax year and while you were NOT a resident of Massachusetts in the tax year, did you receive Massachusetts source income? Select Yes. [If the answer is no you should prepare a straight Part-Year return.]

Income Adjustments

Wages, salaries, tips and other employee comp

Amount to adjust Total Income as modified for wages, salaries, tips and other employee compensation. TSO automatically brings over the total federal taxable amount for all W-2s with MA source income (MA in the state section). If the federal and state taxable amounts are different, enter an adjustment in the Adjust box (positive or negative as required).

Income during period of MA residency. Enter the total amount of MA wages while a MA resident.

MA source income while not a MA resident. Enter the total amount of MA source wages while not a MA resident.

The total of the two should be the total taxable MA state wages, salaries, tips and other employee compensation.

Taxable pensions and annuities

Total Income as modified. Enter the total amount of pensions that would be taxable to a full-year MA resident.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter 0; this is extremely unlikely for Tax-Aide taxpayers.

Massachusetts bank interest

Total Income as modified. Enter the total amount of MA bank interest.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Leave blank.

Business or farm income/loss (Farm Income/Loss is out of scope)

Total Income as modified. Enter the total amount of Business Income.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter only that portion received from a MA business while not a MA resident.

Rental, royalty, REMIC, partnership income/loss (only Royalty income is in scope)

Total Income as modified. Enter the total amount of royalty income.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter 0, this is extremely unlikely for Tax-Aide taxpayers.

Unemployment compensation

Total Income as modified. Enter the total amount of unemployment compensation received.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter Massachusetts unemployment received while not a MA resident.

Mass state lottery winnings (all Mass state lottery winnings are MA source income)

Income during period of MA residency. Enter that portion of Mass state lottery winnings received while a MA resident.

MA source income while not a MA resident. Enter that portion of Mass state lottery winnings received while not a MA resident.

Other income (including IRA distributions, gambling winnings, alimony, etc)

Total Income as modified. Enter the total amount of other income.

Income during period of MA residency. Enter that portion of other income received while a MA resident.

MA source income while not a MA resident. Enter that portion of other income received while not a MA resident.

Interest and dividends

Total Income as modified. Enter the total amount of interest and dividend income (excluding MA bank interest).

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter 0, this is extremely unlikely for Tax-Aide taxpayers.

Certain capital gains

Total Income as modified. Enter the total amount of capital gain income.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter 0, this is extremely unlikely for Tax-Aide taxpayers.

Schedule D

Total Income as modified. Enter the total amount of royalty income.

Income during period of MA residency. Enter that portion received while a MA resident.

MA source income while not a MA resident. Enter 0, this is extremely unlikely for Tax-Aide taxpayers.

Important Notes:

It's important to enter every source of income that would be taxable if the taxpayer were a full-time resident, even if it's received while a non-resident, because the non-resident

deduction/exemption ratio (Form 1-NR/PY line 14g) is calculated as the MA source income divided by the total income received while a non-resident.

Deduction and Exemption Adjustments – Section A. *Note that every deduction/exemption in Schedule R/NR, Part 2, Section A must be related to MA source income reported on this return.*

Amount Paid to SS, Medicare, and other Retirement (Form 1-NR/PY Lines 15a and 15b). Calculate and enter the amount paid to Social Security and Medicare on income while a MA resident and income from MA sources while a non-resident. You need to do separate calculations for the taxpayer and spouse. Don't forget any adjustments made for mandatory retirement contributions for municipal/state employees or self-employment tax for those taxpayers with Schedule C income. TSO will cap the deduction for each taxpayer at \$2000. *Unlike a full-year resident, this is not calculated automatically.*

Penalty on Early Savings Withdrawal (Schedule Y, Line 2). Enter the early withdrawal penalties imposed, but only if associated with MA source income (extremely unlikely).

Amounts excludible under Sec 111F (Schedule Y, Line 4). Out of Scope

Moving Expenses (Schedule Y, Line 5). Out of Scope except for military certification and when taxpayer is active duty military.

Self-Employed Health Insurance Deduction (Schedule Y, Line 7). Enter the Self Employed Health Insurance deduction while a MA resident and during the nonresident period, but associated with MA source income.

Qualified Expense Deductions (Schedule Y, Line 9). Out of Scope except for jury duty pay given back to an employer.

Deductible Amount of Contributory Pension Income (Schedule Y, Line 13). See appendix A for state by state detail of what can be excluded.

Claim of Right Deduction (Schedule Y, Line 14). Out of Scope.

Gambling Losses Deduction (Schedule Y, Line 17). Enter only the amount of losses for Plainridge Park, the Springfield MGM, and the Encore Boston Harbor Casinos, but not more than the winnings there.

Deduction and Exemption Adjustments – Section B.

Child Under 13/Disabled Dependent Care Expenses (Form 1-NR/PY Line 16). If the dependent care expenses exceed the standard \$3600/\$7200 deduction, enter the total amount (not to exceed \$4800/\$9600) and the amount for the MA resident period.

Dependent Under Age 12 (Form 1-NR/PY Line 17). Leave blank – this is calculated automatically.

Exemptions (Form 1-NR/PY Line 22). Leave blank – this is calculated automatically.

Alimony Paid (Schedule Y, Line 3). Enter the total amount of alimony paid and that paid while a MA resident.

Medical Saving Account (Schedule Y, Line 6). OOS.

Health Savings Account Deduction (Schedule Y, Line 8). Leave blank – this is calculated automatically.

Qualified Deductions (Schedule Y, Line 9). OOS.

Deductions for Student Loan Interest (Schedule Y, Line 10). Leave blank – this is calculated automatically.

Undergrad Student Loan Interest Deduction (Schedule Y, Line 12). Enter just the total amount undergraduate student loan interest not included in line 10. Do not enter anything in the MA resident box.

Prepaid Tuition (Schedule Y, Line 18). Enter the amount contributed to a MEFA fund up to the max. Do not enter anything in the MA resident box.

Full-Year MA with NR for other state

Overview

A full-year MA resident may need to file a non-resident return for another state. This generally occurs when a MA resident works in another state. Create the Federal and MA "Resident" tax return as you would for any other taxpayer. Create the additional state return as a "Nonresident" return.

Income:

Verify that the employer has accurately allocated the state wages on the taxpayer's W-2. Be aware that some employees will give two W-2 forms or a single form with multiple states. In some cases, an employer will put the total wages for both states. In this case, you must allocate the amount of wages to each state so that the total amount of wages is equal to the state wages. Otherwise, TSO will double the wages for MA.

Credits:

MA taxes all wages earned by a MA resident regardless of where the income is earned. If the other state taxes the income, then MA gives a credit for taxes paid to another state. This credit is the lesser of the tax liability to the other state (not the amount withheld) or the amount that MA would have assessed on that same income.

Credit for Taxes Paid to Another State. This will be calculated automatically if you create the NR return for the other state first. Please note the following:

- RI - RI TDI is mandatory for all employees in RI. It may be listed as something other than RI TDI (possibly SDI) so look carefully for it on Box 14 of the W2. If you don't enter it as RI TDI, then TSO won't automatically include in taxes paid to another state
- RI - TSO won't automatically include TDI in taxes paid to another state if there is no RI taxable income. In this case, you have to manually enter the TDI paid on the Credits menu -> Credit for Taxes Paid to Another State.
- NY - credit for taxes paid to another state is calculated as the smaller of the tax liability to the other state or what MA would have assessed on that same income. So, for a higher tax state like NY, the credit for taxes paid to another state will be lower than the actual tax liability to NY.

Appendix

Overview

The following two worksheets can be used to prepare Part-Year and Combined PY/NR returns.

Part Year Worksheet

MA Residency Dates:

Income	Resident	Non-Resident	Total	Where to Enter
Wages				Automatically carried from fed
Allocated Tips				Additions to Income
MA Taxable Scholarships				Additions to Income
Interest				
Mass Bank Interest				
Other Taxable Interest				Income Subject to Tax Schedule B
Tax-Exempt Interest				Income Subject to Tax Schedule B
Dividends				
Ordinary Dividends				Income Subject to Tax Schedule B
Tax-Exempt Dividends				Income Subject to Tax Schedule B
Capital Gains				
Sch D, Short-Term Capital Gains				Income Subject to Tax Schedule B
LTG Schedule D, line 8a/8b, column h				Income Subject to Tax Schedule D
LTG Schedule D, line 9, col h				Income Subject to Tax Schedule D
LTG Schedule D, line 10, col h				Income Subject to Tax Schedule D
LTG Schedule D, line 11, col h				Income Subject to Tax Schedule D
LTG Schedule D, line 12, col h				Income Subject to Tax Schedule D
Cap Gns on Schedule D, line 13, column h or 1040 line 13				Income Subject to Tax Schedule D
LT MA Carryover Loss				Income Subject to Tax Schedule D
IRAs				Additions to Income, Enter IRAs received while not MA resident
Pensions				
Tax-Exempt Pensions				Income Subject to Tax Exempt Pensions and Annuities Enter sum of total MA Tax-Exempt Pensions + Pensions Received while Non-Resident
Taxable Pensions				
Alimony				Additions to Income
Other Income (unemploy, jury duty)				Additions to Income
Gambling				
Mass Lottery				Income Subject to Tax Massachusetts Lottery Winnings
Other Gambling				Income Subject to Tax Other Gambling Winnings

MA Required Adjustments**Enter here in TaxSlayer**

Difference between actual Social Security and Medicare paid and calculated amount based on state wages (taxpayer). Actual SS + Medicare Paid - 7.65%*MA Wages (taxpayer)		Other Deductions
Difference between actual Social Security Medicare paid and calculated amount based on state wages (spouse). Actual SS + Medicare Paid - 7.65%*MA Wages (taxpayer)		Other Deductions

MA Unique Deductions**MA Resident****Total****Enter here in TaxSlayer**

Total rent paid			Other Deductions
Dependent care expenses (only if exceed pro-rated dependent deduction)			Other Deductions
Amount to adjust retirement deduction for mandatory pension contributions – found on W 2 box 14 (may be labeled ret)			Deductions
Deductible amount of qualified contributory pension income from another state (see restrictions)			Deductions
Amount of student loan interest that is for undergraduate studies. ONLY enter an amount here if you were disallowed part of your student loan interest on your federal return			Deductions
Penalty on early savings withdrawal			Deductions
Alimony paid			Deductions
Self-employed health insurance			Deductions
Amount paid for EZ-Pass tolls and MBTA passes (must be greater than \$150)			Deductions
Gambling losses from Plainridge or MGM Springfield only – up to amount of winnings			Deductions
Amount paid to pre-paid tuition program or college savings program (MEFA)			Deductions

Circuit Breaker**Enter here in TaxSlayer**

Total real estate taxes paid		Credits – Schedule CB
Half of water and sewer bills paid		Credits – Schedule CB
Value of home		Credits – Schedule CB
Difference between gross and taxable distributions for all pensions (needed only if TaxSlayer doesn't fix this problem)		Credits – Schedule CB Additions/Adjustments to Pensions and Annuities Not Taxed in MA
Amount of CB Credit		Custom Credits