

**Line 4. Other Income**

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

**Line 7. Bad Debts From Sales or Services**

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

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

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

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

**Line 9b. Contract Labor**

Enter the total cost of contract labor for the tax year. Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business. Do not include contract labor deducted elsewhere on your return, such as contract labor included on line 15, 19, 25, or Schedule C-1, line 3. Also, do not include salaries and wages paid to your employees; instead, see Line 25, later.

**Line 11. Depreciation and § 179 Deduction**

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

**Line 17. Pension and Profit-Sharing Plans**

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

**Line 22. Travel**

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that

period of employment exceeds one year. Spouse's and other family members' travel expenses are generally disallowed as a business deduction.

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

**Line 23. Meals**

**Line 23a.** Enter your total business meal expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. Business meal expenses are deductible only if they are:

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

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

**Line 30. Abandoned Building Renovation Deduction**

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

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

**Line 32. Deductible Loss.**

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

ductible loss; note that it might be smaller than the line 31 loss.

**Line 33. If You Have a Loss**

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

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

**Line 35. Total Profit or Loss.**

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

**Line 36. Allowable Prior-Year Suspended PAL**

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

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

# Schedule R/NR

**Part 1. Income Adjustments****Column A**

Enter the amount of income reported on your federal return as modified as if it were received by a full-year Massachusetts resident. Refer to each specific line instruction for Form 1-NR/PY to determine income that should be added to or subtracted from the federal total.

**Column B**

Enter the amount of income from column A that you received while a Massachusetts resident.

**Column C**

Enter the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident.

**Column D**

Enter the amount of income from column C from Massachusetts sources that you received while a nonresident.

See the instructions for a definition of Massachusetts source income.

Refer to each specific line instruction for Form 1-NR/PY to determine the income from Massachusetts sources received during your nonresident period. Also see Form 1-NR/PY, line 13 instruction for those nonresidents eligible to apportion income.

If you received income from a business/profession reported on a Schedule C, while a Massachusetts resident and from Massachusetts sources while a nonresident, you must complete a separate Massachusetts Schedule C for each period.

**Column E**

Add column B and column D. This is your total income received while a Massachusetts resident and received from Massachusetts sources while a nonresident. Enter the amount from column E in each applicable line on Form 1-NR/PY (see separate instruction for Schedule D).

Subtract the total of column D from column C and enter the result in line 14e of Form 1-NR/PY. This is the additional income that you received from non-Massachusetts sources that would have been reported by you if you had been a Massachusetts resident.

Add Form 1-NR/PY lines 5 through 12 and complete Form 1-NR/PY line 14 before completing the rest of this worksheet.

**Schedule D**

Enter in column A the amount from Schedule D, line 9 combined with Schedule D, line 10a. Enter in column B the amount of income from column A that you received while a Massachusetts resident. Enter in column C the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident. Enter the amount of income from column C from Massachusetts sources that you received while nonresident. Subtract column D from column C and enter the result in Schedule D, line 10b. Complete Schedule D as otherwise instructed.

**Part 2. Deduction and Exemption Adjustments**

Schedule Y, line 9 is adjusted both in sections A and B. See Schedule R/NR to determine which amounts are adjusted in section A and section B.

**Section A****Lines 15a and 15b**

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D. The column C total cannot exceed \$2,000.

**Schedule Y, line 2**

The amounts reported in column A must be related to income reported in Part 1, column B or on a previous Massachusetts return. The amounts reported in column B must be related to income reported in Part 1, column D or on a previous Massachusetts return.

**Schedule Y, line 4**

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

**Schedule Y, line 5**

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

**Schedule Y, line 7**

The amounts reported in column A must be related to income reported in Part 1, line 8, column B. The amounts reported in column B must be related to income reported in Part 1, line 8, column D.

**Schedule Y, line 9**

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D.

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

Recent legislation has enacted a deduction for unemployment compensation for tax year 2020.

Please refer to below link for more information:

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

**Note:** If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9), the part-year resident portion of the deduction must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12 and

should be included on section A of Schedule R/NR. For the nonresident portion of the deduction, taxpayers must use section B of Schedule R/NR to determine the amount of the deduction, only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction for the nonresident period.

**Schedule Y, line 13**

The amounts reported in column A must be related to income reported in Part 1, line 6, column B. The amounts reported in column B must be related to income reported in Part 1, line 6, column D.

**Schedule Y, line 14**

The amounts reported in columns A and B must be related to income previously reported on Form 1 or Form 1-NR/PY.

**Schedule Y, line 17**

The amounts reported in column A must be related to income reported in Part 1, line 11, column B. The amounts reported in column B must be related to income reported in Part 1, line 11, column D.

**Column C**

Add column A and column B and enter the total in each applicable line of Form 1-NR/PY or Schedule Y.

**Section B**

You may claim only a deduction for either line 16 or line 17. Refer to the Form 1-NR/PY instructions to determine which deduction is better for you.

**Line 16**

Complete the Form 1-NR/PY, Line 16 Worksheet through number 4 and enter that amount in column A. In column B enter the amount from column A that is related to your Massachusetts resident period. Subtract column B from column A and enter the result in column C. Multiply the amount from column C by Form 1-NR/PY, line 14g and enter the result in column D. Add columns B and D and enter the result in column E and Form 1-NR/PY, line 16.

**Line 17**

If you have a dependent member(s) of household under age 12, or dependents age 65 or over as of December 31, 2020, or disabled dependents and you are not claiming an amount in line 16, enter \$3,600, or \$7,200 for two or more such dependents, in column A. Multiply the column A amount by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column

B and column D and enter the result in column E and in Form 1-NR/PY, line 17.

**Line 22**

In column A enter the amount from Form 1-NR/PY, line 4f. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 22.

**Schedule Y, line 3**

In column A enter the total alimony paid from U.S. Form 1040, Schedule 1, line 18a. In column B enter the amount from column A paid while you were a Massachusetts resident. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 3.

**Schedule Y, line 6**

In column A enter the total medical savings account deduction included in U.S. Form 1040, Schedule 1, line 22. Multiply the column A amount by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 6.

**Schedule Y, line 8**

In column A enter the total health savings account deduction from U.S. Form 1040, Schedule 1, line 12. Multiply the column A amount by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 8.

**Schedule Y, line 9**

In column A enter any amount included in U.S. Form 1040, Schedule 1, line 22 for attorney's fees and court costs involving certain unlawful discrimination claims (part-year residents and nonresidents, see note). Multiply the column A amount by Form 1-NR/PY, line 3. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 9.

**Note:** If you are claiming a deduction for attorney's fees and court costs involving certain unlawful discrimination suits (Schedule Y, line 9), the part-year resident portion of the deduction must be directly related to Massachusetts income as reported on Form 1-NR/PY, line 12 and should be included on section A of Schedule R/NR. For the nonresident portion of the deduction, taxpayers must use section B of Schedule R/NR to determine the amount of the deduction, only if it is directly related to Massachusetts income as reported on Form 1-NR/PY, line 12. If it is not directly related to income reported on Form 1-NR/PY, you are not allowed any deduction for the non-resident period.

**Schedule Y, line 10**

In column A enter the total student loan interest deduction from U.S. Form 1040, Schedule 1, line 20. Multiply the column A amount by Form 1-NR/PY, line 3. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 10.

**Schedule Y, Line 12**

In column A enter the amount of interest paid on an undergraduate student loan(s) (see Schedule Y, line 12 instructions). Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/

PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 12.

**Schedule Y, Line 15**

Complete the Schedule Y, Line 15 Worksheet through item 6 and enter that amount in column A (see Schedule Y, line 15 instructions). Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 15.

**Schedule Y, Line 18**

In column A enter the allowable amount of pre-paid tuition or college savings plan (see Schedule Y, line 18 instructions). Multiply the amount in column A by Form 1-NR/PY, line 3 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 18.

**Completing Form 1-NR/PY**

After entering the amounts from this worksheet in the applicable lines of Form 1-NR/PY, complete Form 1-NR/PY, lines 28 through 55.

**Note:** In Form 1-NR/PY, line 42, only enter amounts listed as Massachusetts withholding.

**Credit for Taxes Due Any Other State**

You may only claim a credit for income taxes paid to another state or jurisdictions on income received while a Massachusetts resident that is included in Schedule R/NR, Part 1, column b. Complete the Income Taxes Paid to Another Jurisdiction Worksheet based on income received during your Massachusetts resident period only.