

Fall 2016 Mass Manual Addendum

1 February 2017

A lot has happened with *TaxSlayer* since the Mass Manual was distributed at our October state meeting. Many training tools have been distributed and some have been posted to the MA AARP Tax-Aide website, such as the Mass Data Entry Worksheet and the Mass Quality Review Worksheet. Also, the Massachusetts DOR has modified the Massachusetts Form 1 for 2016 and beyond.

It has been decided not to do a major update of the Mass Manual at this time, but to issue this addendum, which lists Mass Manual changes and how to use it to prepare Mass returns. Only items on pages 1-19 are addressed (not the Appendices). Since *TaxSlayer* continues to evolve, the plan is to update this document, as needed. The latest version, which will be posted on the MA website, will be noted by a different date.

This addendum refers to specific page numbers if a change or addition is warranted. Items that pertain to the entire Mass return are at the beginning and under “Other” at the end.

Overall Mass return items:

The Massachusetts DOR made some changes for 2016 and afterwards that affect the following aspects of a Mass return and any amendments for 2016 and prior years:

- Effective October 2016, Form CA-6, which we have used to file amended returns, has been eliminated. There are entries at the top of Form 1, page 1 to designate whether a return is an original return, an amended return, or an amended return due to federal change. Since the CA-6 has been eliminated, any prior year amended return should check off the appropriate choice and “Amended return” written across the top of Form 1, page 1.
- If a taxpayer pays income tax to another state, a new Schedule OJC, Income Tax Paid to Other Jurisdictions is required. Credit for such taxes appear on Ln 30 of Form 1.
- Schedule Z, which was used to record a Septic Credit or Lead Paint Credit before being entered on Form 1 has been replaced by Schedule CMS (Credit Manager Schedule). These credits will appear on Ln 31 of Form 1.
- The tax rate for 2016 is 5.1% (down from 5.15%) and the Earned Income Credit (EIC) is now 23% of the Federal EIC amount (up from 15%)
- Ln 10, Total 5.1% Income, now appears on page 2 of Form 1.
- Ln 30 was added to the 2016 Form 1 for taxes paid to other jurisdictions. As a result, all line numbers after that are shifted by one when compared to the 2015 Form 1. References to line numbers in the Mass Manual are also off by one. The line numbers will be corrected when the entire Mass Manual is updated in the summer 2017.

TaxSlayer

- At this writing, an original 2016 Mass return is not marked as “Original” on page 1 of the printed return. If this does not change, mark “Original” on any return that is paper filed and on the taxpayer’s copy if e-filed. It is unknown at this time if the electronic return is properly marked or not.
- *TaxSlayer* has incorporated the new Sched CMS if a return includes the Septic or Lead Paint credit. Sched OJC (for taxes paid to other states) has also been included; taxes paid to other states is entered in the *State Section, Credits, Credit for Taxes Paid to Another State*.

- *TaxSlayer* incorporates the new tax rate and new percentage for EITC, so no action is required by the preparer. *TaxSlayer* also puts Ln 10 on page 2 of the printed Form 1.
- Line numbers on Form 1 in the Mass Manual are shifted by *TaxSlayer* to be in accordance with the current DOR Form 1. No action is required of the preparer.

Items Specific to Mass Manual Current Items

- Page 1, at the top. If you have a lot of data to enter into the State return, it is recommended that you hit “continue” and return to the main State page periodically to save data already entered. If there is any interruption to the Internet, any data that has not been saved may be lost.
- Page 1, at the bottom under *TaxSlayer*. A change was made since the Mass Manual was written. When a preparer enters the taxpayer’s information in the Basic Information portion of *TaxSlayer*, *TaxSlayer* assumes the current state residency is the resident state on Dec 31 and the taxpayer is a full time resident of Mass. If the taxpayer moved to an adjoining state during the year, the resident state on Dec 31 should be changed. Changes can also be made once you reach the main State page after all Federal data has been entered.
- Page 3, at the top that discusses mandatory pension contributions on a W-2. The worksheet referred to at the beginning of this addendum, Mass Data Entry Worksheet, was developed to help record this item and four others that must be manually entered into the state section. This worksheet is available as a paper form or as an Excel worksheet. It is on the MA Tax-Aide website under Reference Materials. It is recommended this worksheet get filled out before entering any taxpayer information into *TaxSlayer* and should also be used as part of the Quality Review process. A suggested quality review process for Mass returns is also on the MA Tax-Aide website.
- Pages 3, 4 for Interest and Dividends. The table at the end was developed by District 18 to replace a similar table in prior year versions of the Mass Manual. This table and the current text are consistent – the presentation is just different. Some preparers may find this table easier to use.
 - The previously mentioned Mass Data Entry Worksheet should be used to write down any interest/dividend figures that must be manually transferred to the state section after all data is entered into the Federal section.
- Page 6 for Traditional IRA’s. The Mass Data Entry Worksheet should be used to write down the total taxable IRA distributions; this amount should be manually entered into the state section as describe on this Mass Manual page.
- Page 6 for tax-exempt pensions and page 7 for Railroad Retirement Tier II. The Mass Data Entry Worksheet should be used to write down the distributions from these sources for entry into the state section as describe on these Mass Manual pages.
- Page 13 under Credits. As noted earlier, all references to 15% of the Federal EIC should be changed to 23%. Also, all references to Sched Z should be replaced by Sched CMS.
- Page 14 under Senior Circuit Breaker, *TaxSlayer* discussion. The *TaxSlayer* screen for the Circuit Breaker now has a line at the bottom to include miscellaneous income. Any entry on this line will transfer to Ln 6 of Sched CB.
 - Because you must enter any taxable IRA amounts manually into the state section, any difference between gross and taxable amounts are not taken into account by *TaxSlayer* and entered on Ln 5 of Sched CB. The same is true of Roth IRA distributions that are not taxable. Ln 5 of Sched CB is for “Pension/annuity/IRA/Keogh distributions not taxed on your Massachusetts tax return”. These amounts should be entered on this miscellaneous income line, so the total income calculation used to determine the Circuit Breaker Credit is accurate.

Otherwise, the taxpayer's income will be lower and the Circuit Breaker credit may be greater than what the law allows. Also, the upper income limits for the Circuit Breaker may not be tripped.

- Page 16, Sched HC, under *TaxSlayer*. The TaxSlayer screen for Health Insurance Plan Information requires the preparer to identify the type of insurance the taxpayer(s) has/have. Pick only one type for each taxpayer. If the insurance is either Private or other government (bottom two choices), you must fill out the bottom of that screen. DO NOT put in hyphens when entering the company Federal ID or subscriber numbers. If you do, you will get an error message to remove the hyphens when you hit "continue". That error message will remain until the main State page comes up by hitting "continue" several times.
- Page 19, submitting Mass returns for e-filing. E-filing requires the ERO to identify the "return type" for both Federal and Mass returns. Picking the wrong return type may prevent the ability to e-file returns. If the Federal return has no taxes owed and no refund, choose the return type "Mail Payment" for the Federal return. If the Mass return has no taxes owed and no refund, choose the return type "Electronic State Balance Due". This advice for return types is based on limited experience using TaxSlayer Production and may change. Any change will be posted on the MA website blog and in subsequent updates to this paper.

Other

- It is important to determine the correct filing status for a return when the return is started. If a change in filing status is made after both Federal and Mass information has been entered, that action WILL DELETE all state entries. Preparers should ask for help from site leadership if there is any question about filing status. If a change in filing status is required during Quality Review, you should expect to re-enter all Mass information.
- The only way to preview a Mass return is to hit "Preview Return" and create a PDF of the Federal and Mass returns. On occasion, the PDF will not show the Mass return. If that happens, hit "save and exit return" on the left hand menu and reopen the return. The PDF should now show the Mass return. If both Federal and Mass returns are completed and the preparer or reviewer goes back to Federal sections (Basic Information, Federal section, Health Insurance), it is recommended to "save and exit return" and reopen the return before creating the PDF to save time.
- A second volunteer must not try to open a return that is already being worked on by another volunteer. This might occur for second person review. If this attempt is made, a note will come up "Return is locked by another user". The "lock" will be released when the first volunteer closes the return **AND** opens another return **OR** logs out of the account. Just closing the return will not release the lock. The lock will persist for 30 MINUTES, so it is critical to follow the above procedures. Always hit the "Log Out" button at the end of a tax session. Never just close the browser – if a return is "locked", just closing the browser will cause a lock to persist for the 30 minutes.

INTEREST ENTRIES IN MA SECTION OF TAXSLAYER

INTEREST TYPE	TAXED US	TAXED MA	ENTRIES IN MA SECTION OF TAXSLAYER
Non-MA bank	YES	YES	None
MA Bank*	YES	\$100/200 Exclusion	Additions to Income; enter on second line "Enter interest income included on your return received from Massachusetts banks"
US Govt. Bonds	YES	NO	State Section; Edit; Enter myself; choose "Income Subject to Tax", choose Sch. B; enter amount on 4 th line & description of interest on 5 th line
MA Muni Bond	NO	NO	Same as above for US Govt. Bonds
Non-MA Muni Bond	NO	YES	None

- *Keep a manual record of all MA bank interest – amount entered in one entry
- Developed by District 18