

4 Before You Begin

Form 1 Checklist

Use this checklist before mailing your return to help avoid any errors that may delay the processing of your return.

- ☒ Is your preprinted name and address correct?
- ☒ Have you completed your Form 1 in black ink?
- ☒ Are all ovals filled in as necessary?
- ☒ If using the whole-dollar method, have you filled in the correct oval?
- ☒ Have you printed all dollar amounts completely within the boxes?
- ☒ Have you marked an "X" in any form or schedule box that shows a loss?
- ☒ Is your Social Security number correct on your Form(s) W-2 or 1099? If incorrect, make the necessary changes on Form(s) W-2 or 1099.
- ☒ Have you attached with a single staple your Form(s) W-2 or 1099 to the return where indicated?
- ☒ If making a payment, have you stapled your check to the front of Form PV, Massachusetts Income Tax Payment Voucher, and enclosed (not stapled) Form PV with your return? Form PV is attached to the back of the "Payment Due" envelope found in this booklet.
- ☒ Are you filing an original copy of the form? Remember, photocopies of the forms and schedules are not acceptable.
- ☒ Have you enclosed (not stapled) all supporting schedules and documentation?

Major 1999 Tax Changes

Increase in Personal Exemptions

The following personal exemption amounts are applicable for tax year 1999: married filing jointly — \$8,800; head of household — \$6,800; and single or married filing separately — \$4,400.

No Tax Status/Limited Income Credit Thresholds

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

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

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

Income Credit if Massachusetts AGI does not exceed \$25,200 plus \$1,750 per dependent.

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

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

Massachusetts Adopts the U.S. Internal Revenue Code (IRC) as of January 1, 1998

Massachusetts generally adopts the federal treatment of items of income and the federal exclusions from gross income. In addition, certain deductions allowed for federal tax purposes are allowed for Massachusetts tax purposes. With certain exceptions, Massachusetts now adopts the Internal Revenue Code as amended and in effect on January 1, 1998. The exceptions, which will be treated according to the current Internal Revenue Code, are listed below. See Technical Information Release (TIR) 98-15 for an explanation of the major changes to the Massachusetts personal income tax provisions as a result of the adoption of the January 1, 1998 Internal Revenue Code.

1998 Federal Law Changes Not Adopted by Massachusetts

► **Parking, Transit Pass and Vanpool Fringe Benefits — IRC Sec. 132(f).** Generally, Massachusetts follows the exclusion from an employee's gross income for employer-provided parking, transit pass and vanpool benefits. However, two federal acts subsequent to January 1, 1998, have created differences between the Massachusetts and federal treatment of this exclusion. Specifically, the exclusion amounts are higher for Massachusetts purposes, and Massachusetts will not allow an exclusion for transit pass and vanpool benefits unless they are provided by an employer without charge to the employee. These differences will be reflected in the Form W-2 provided by your employer.

► **Self-Employed Health Insurance Deduction — IRC Sec. 162(l).** A federal and Massachusetts deduction is allowed for amounts paid for medical care insurance for a self-employed taxpayer and his or her spouse and dependents. For federal purposes the deduction will be 60% of the qualified insurance payments for the 1999 tax year. However, due to differences between the Internal Revenue Code as amended and in effect as of January 1, 1998, and the current year, only 45% of the qualified insurance payments are deductible for Massachusetts purposes for the 1999 tax year.

► **Savings Incentive Match Plan for Employees (SIMPLE Accounts).** Under federal tax law, SIMPLE tax-favored retirement plans can be established under IRC sec. 401(k) or IRC