



Commonwealth of Massachusetts

Department of Revenue

Tax Tips for Seniors and Retirees

Deductions, Exemptions and 2016
“Circuit Breaker” Tax Credit

For Seniors and Retirees

In our continuing effort to make filing and paying taxes as easy as possible, the Department of Revenue (DOR) has created this “Tax Tips” fact sheet to assist you in completing your tax return and ensure that you take advantage of deductions and exemptions that are available. You may wish to consult with a tax professional for guidance on some of these items.

- As a result of the health care reform law, most Massachusetts residents age 18 and over are required to have health insurance, if it is affordable for them. In 2016, individuals must be enrolled in health insurance plans that meet “Minimum Creditable Coverage” (MCC) standards defined in regulations adopted by the Commonwealth Health Insurance Connector Authority. MCC is the minimum acceptable level of benefits that taxpayers need to be considered insured and avoid tax penalties in Massachusetts. If you had insurance in 2016, the Form MA 1099-HC issued to you by your insurer will tell you if your plan met these requirements. If you had insurance from a state or federal sponsored government insurance program, such as Medicare, MassHealth, Commonwealth Care and health insurance for U.S. Military, including Veterans Administration and Tri-Care, your plan met these requirements. Schedule HC, Health Care Information, must be completed by all full year and certain part-year residents.

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.

- If your total income is less than \$8,000 per year, you are not required to file a Massachusetts income tax return, unless you are claiming the Senior “Circuit Breaker” tax credit (see next page).

- If your Massachusetts Adjusted Gross Income (Massachusetts AGI) is \$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.

- 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 exceeds the No Tax Status threshold.

- If you are age 65 or over before January 1, 2017, you are entitled to a \$700 exemption. This \$700 exemption is also available for your spouse if he or she is 65 or over before January 1, 2016. This exemption is in addition to your personal exemption of \$4,400 if single, \$6,800 if head of household and \$8,800 if married filing a joint return.

- Benefits paid under a life insurance contract for terminally or chronically ill insured individuals are excluded from Massachusetts gross income if they are excluded from federal gross income.

- Massachusetts has adopted the federal \$250,000 (\$500,000 for joint filers) exclusion of gain from the sale of a principal residence after December 31, 1997. The following is an example:

Your principal home in Boston was purchased in 1980 for \$100,000. In 2015, the home is sold for \$300,000, resulting in a gain of \$200,000. The gain is not subject to tax.

- Social Security payments received, as well as Veterans Administration disability compensation, are not taxable in Massachusetts.

The purpose of this publication is to provide taxpayers with general information about Massachusetts tax laws and DOR policies and procedures as of December 31, 2016. Nothing contained within changes any provisions of Massachusetts General Laws or DOR policies.



- Income from most private pensions or annuity plans is taxable in Massachusetts. However, the following is a list of some specific pensions that 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 their political subdivisions that do not tax such income from Massachusetts or its political subdivisions may be eligible to be deducted from Massachusetts taxable income.

Beginning in 1997, 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.

However, if you retired under Chapter 32, sections 56–60 of Massachusetts General Laws and are a veteran who began state service prior to July 1, 1939, all or part of your pension income may be subject to tax.

- If you were an employee of the U.S. or 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 previous pension contributions.

- IRA or Keogh distributions are not taxable until all of your contributions that were previously subject to Massachusetts taxes are recovered.

- You may claim an exemption for medical and dental expenses paid during 2016 if you itemized these expenses on your U.S. Form 1040, Schedule A.

- If you are 65 or over before January 1, 2017, you may be eligible to claim a refundable Senior “Circuit Breaker” tax credit against your personal income taxes for the rent or real estate taxes you paid on your principal residence. The maximum credit allowed this year is \$1,070.

- Taxpayers over 60 may be eligible for a Senior Citizen Property Tax Work-Off Abatement. Under this program, taxpayers volunteer their services to their municipality in exchange for a reduction in their property tax bills — up to \$1,000 annually. Check with your city or town to see if they participate in this, or any related, program.

- In 2016, the maximum deduction for employment-related expenses for the care of a disabled dependent or a disabled spouse is \$4,800 for one qualifying individual and \$9,600 for two or more qualifying individuals.

- The dependent deduction for households with elderly or disabled dependents is \$3,600 for a single dependent and \$7,200 for two or more dependents.

- You may claim a maximum \$3,000 deduction for rent paid for a principal place of residence.

- Direct deposit of your refund check is available.

For further information, please contact the Massachusetts Department of Revenue’s Customer Service Bureau at (617) 887-6367 or toll-free in Massachusetts at 800-392-6089.

Senior “Circuit Breaker” Tax Credit

What is it?

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 \$1,070 for the tax year beginning January 1, 2016. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year, the excess amount of the credit will be refunded to the taxpayer without interest.

Eligible taxpayers who own their property may claim a credit equal to the amount by which their property tax payments in the current tax year (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 charges actually paid during the tax year when figuring their credit.

For renters, the law assumes that 25% of their rent goes toward property tax. Accordingly, 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.

Who is eligible for the credit?

To be eligible for the credit for the 2016 tax year, a taxpayer must be 65 years of age or older before January 1, 2017 (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. The taxpayer’s total income cannot exceed \$57,000 for a single filer who is not the head of a household, \$71,000 for a head of household, or \$86,000 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 \$720,000.

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 2016 tax year can claim the credit by submitting a completed Schedule CB, Circuit Breaker Credit, with their 2016 state income tax return.

Note: Taxpayers who qualified for the tax credit in a prior year but did not file Schedule CB online with their original state income tax return should file an amended return by filling in the “Amended return” oval on their state income tax return. Also, taxpayers who qualified for the tax credit in a prior year and did not file a tax return should file a state income tax return with Schedule CB. Either option must be completed within three years from the last day for filing the return, without regard to any extension of time to file.

What if the taxpayer is not required to file a state income tax return?

An eligible taxpayer who does not normally file a state income tax return may obtain a refund by filing a return with Schedule CB, Circuit Breaker Credit.

What documentation must the taxpayer keep?

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.

Schedule CB and further information is available at www.mass.gov/dor or by contacting the Massachusetts Department of Revenue’s Customer Service Bureau at (617) 887-6367 or toll-free in Massachusetts at 800-392-6089.

