

Massachusetts Legislator's Tax Guide 2013

Table of Contents

Introduction	3
Important Changes for 2013	4
Note Regarding Automobile and Travel Expenses	5
Automobile & Travel Expenses	
Federal	6
Massachusetts	13
Note Regarding Miscellaneous Itemized Deductions	14
Living Expense	
Federal	14
Massachusetts	17
Office at Home	
Federal	18
Massachusetts	21
Advertising Expense	
Federal	21
Massachusetts	22
Meal and Entertainment Expenses	
Federal	22
Massachusetts	23
Telephone Expense	
Federal	23
Massachusetts	24

Other Expenses	
Federal	24
Massachusetts	25
lisCampaign Contributions	
Federal	25
Massachusetts	27
Campaign Expenses	
Federal	28
Massachusetts	28
Newsletter Fund	29
General Notes on the Deduction of Employee Business Expenses For Massachusetts Purposes	30
Record Keeping	32
Retention of Records	35
Election per IRC Section 162(h)	37
Sample Logs	38
Forms	
Form 2106 Employee Business Expense	
Form 6251 Alternative Minimum Tax Individuals	
Form 1120-POL U.S. Income Tax Return for Certain Political Organizations	
Form 3M MA Income Tax Return for Clubs and Other Organizations not Engaged In Business for Profit	

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INTRODUCTION

The Massachusetts Society of Certified Public Accountants, Inc. is pleased to provide this Guide to members of the Massachusetts Legislature.

As a Massachusetts Legislator, you should be aware of certain tax benefits available to you in the form of tax deductions for expenses that are ordinary and necessary in pursuit of your business as a legislator. This Guide has been designed to highlight those tax deductible expenditures affecting your 2013 income tax returns.

This Guide is not intended to cover all tax matters related to an individual's tax return. Items such as medical expenses, interest, charitable contributions or tax matters unrelated to your position as an elected official are not covered. A question and answer format is used to provide specific answers to questions concerning income tax laws as they relate to your unique position as a member of the Legislature.

Please be aware that this guide is current only as of the publication date. For questions regarding tax issues not covered in this guide or for assistance with preparation of your individual income tax return, we recommend that you contact your certified public accountant.

IMPORTANT CHANGES FOR 2013

There have been several tax changes for the 2013 tax year and beyond. As stated previously, this guide is intended only to highlight tax matters relating to your position as an elected official. In that regard, please note the following important changes:

- Standard mileage rates increased to 56.5 cents per mile for business
- Depreciation tables updated
- Per Diem rates updated
- Simple Method option now available for Home Office deduction
- Same Sex couples filing as married in Massachusetts now must file as married on their Federal return also.

NOTE REGARDING AUTOMOBILE AND TRAVEL EXPENSES

In order to be deductible, travel expenses must be incurred while a taxpayer is away from “home”. Expenses for travel and meals, etc., incurred in the general vicinity of one’s home will not be allowed as deductions.

The Internal Revenue Service does not define a taxpayer’s “home” as his or her residence. For income tax purposes, a taxpayer’s “tax home” will generally be where his or her principal place of business or employment is located. The final determination, however, will be based on the facts and circumstances of a particular taxpayer.

In the case of legislators, there are special provisions for the determination of their “tax homes”. Internal Revenue Code Section 162(h) provides for an election whereby individual legislators can consider their personal residences within their legislative districts to be their “tax homes”. Although the principal place of business or employment for the legislators may be at the State House in Boston, by making this election, the “tax home,” for those who so elect, will be where their residences are located. The election is not available to legislators whose residence is 50 miles or less from Boston. This election is also not available for Massachusetts income tax purposes (see Page 30 for further discussion).

When utilizing this election, the total deductions for meals, lodging and other living expenses while away from the “tax home”, will be limited to an amount determined by multiplying the number of legislative days by the greater of: (1) the amount generally allowable with respect to such days to employees of the executive branch of the Federal Government for per diem expenses while away from home but serving in the United States or (2) the amount generally allowable to employees of the State of Massachusetts for per diem expenses to the extent such amount does not exceed 110 percent of the amount described in clause (1) above.

For purposes of this provision, a legislative day is defined as a day when the legislature is in session, including periods of up to four consecutive days when the legislature is not in session (or any other day when the legislature is not in session, but the legislator’s presence is formally recorded at a committee meeting).

The answers to the questions in this guide assume that the legislator will not have Boston classified as his or her “tax home”.

The importance of recordkeeping is emphasized throughout this guide. Since the **burden of proof** as to the appropriateness and extent of deductibility is **on the taxpayer**, it is imperative that detailed records be maintained. Failure to adequately support a deduction can result in its disallowance.

Reimbursed business expenses under an accountable plan are not considered income.

The regulations describe the three characteristics of an accountable plan:

- (1) expenses must have a business connection;
- (2) expenses must be substantiated to the payor within a reasonable period of time;
- (3) any payments received in excess of actual expenses must be returned to the payor.

If the plan fails to satisfy any of these requirements, it is a non-accountable plan. Payments to an employee pursuant to a non-accountable plan must be reported as income. If the payments are paid under an accountable plan, the employer does not report them as income to the employee. However, the reimbursement that exceeds the actual substantiated expenses must be reported as income. The answers to the questions in this guide are based on a non-accountable plan.

AUTOMOBILE AND TRAVEL EXPENSES

FEDERAL

Q How do I report my mileage or automobile expenses on my tax return?

A The Internal Revenue Service considers you an employee of the Commonwealth. All mileage or automobile expenses are reported on Form 2106 - Employee Business Expenses. (Sample Form 2106 is included in this guide to assist you in understanding the questions and answers which follow.)

Q How much can I deduct for the automobile mileage I incur traveling to and from Boston?

A The Commonwealth provides each legislator with an annual allowance and a per diem allowance for mileage, meals and lodging while the legislature is in session which are both reported on Form W-2. The per diem rate is based on the distance from the legislator's residence to the State House.

Because you are not required to account to your employer for expenses incurred and since a portion of your expenses may not be deductible, you must submit a statement with your tax return (Form 2106, Part I) showing deductible expenses incurred.

The deduction for automobile expenses can be either in the form of the standard mileage rate for all business miles or you can itemize your actual automobile expenses (depreciation, gas and oil, repair and maintenance, insurance, etc.).

For 2013, the standard mileage rates for the use of a car (including vans, pickups or panel trucks) was **56.5 cents per mile** for business miles driven. If the standard mileage rate is not used and you claim depreciation on the vehicle (or vehicles), the depreciation deduction must be shown in Section D, Form 2106. MACRS depreciation may be claimed only if the vehicle was used more than 50% for business use. If less than 50% business use, depreciation must be taken using the straight-line method. The business use percentage is computed by dividing your total business miles by total miles driven during the year. Depreciation is explained more fully starting on page 10.

Employee business expenses are reported on Form 2106 and can only be claimed as miscellaneous itemized deductions which are deductible to the extent they exceed 2% of adjusted gross income (AGI).

Q What other mileage expenses can I deduct?

A A member of the General Court usually incurs significant mileage expenses while in his home district. This mileage can become substantial for individuals whose districts are large. For example, a legislator may be required to travel several miles from one side of town to the other in order to gather facts for potential legislative actions or investigations, or to attend civic functions, political functions, or other meetings related to his legislative duties. All travel to meetings where you will speak or which you believe are important to attend because of your elected position are tax deductible. A memorandum of this mileage should be recorded in a diary. You may also deduct the cost of unreimbursed travel between two places of business (State Legislature or another business or occupation) provided such trips are necessary to discharge business at both locations. (Calculate this expense on Part 2 of Form 2106 and enter on Line 1, Part I of Form 2106.)

Q What about mileage expenses incurred while going to meetings during a political campaign for my reelection? Although I am running for reelection, I still feel it is incumbent upon me to attend these meetings to explain to my constituents the activities of the General Court, the legislation that we are currently working on, and the disposition and explanation of legislation that has gone through committee and legislation that we have already acted on.

A The Internal Revenue Code specifically states that campaign expenses are not tax deductible. (See section on campaign expenses.) Therefore, it is very important for the legislator to distinguish between those expenses which are directly related to a reelection campaign that are not deductible and those expenses which can be directly attributable to serving the legislator's constituency that are deductible.

Q If I use another mode of transportation to get to Boston, such as a bus or airplane, can I deduct these expenses in addition to my mileage expenses?

A If you use a bus, airplane or other means of transportation to Boston, these expenses should be detailed on Form 2106, Part 1, Lines 2 and/or 3. You cannot, however, claim both the mileage you would have incurred had you driven an automobile to Boston and the cost of the bus fare or airplane ticket.

Q On occasion, I ride with another legislator to Boston. Can I still claim a tax deduction for the mileage for that particular day, even though I did not drive my own car?

A When you ride with someone else and do not directly incur any travel expenses yourself, you can not claim any mileage expense for that day's travel.

Q While away from home staying in a Boston hotel for the legislative session, I am required to drive or take a taxi to the State House each day. Can I deduct this as a business expense?

A Yes. The place at which you reside in Boston is not considered your tax home and, therefore, expenses incurred in Boston are not considered commuting expenses (assuming you live outside Metropolitan Boston.) You may deduct as travel expense the mileage you incur going from your living quarters in Boston to either the State House, or any other location, as long as the purpose of the travel is directly related to the business of being a member of the General Court.

Q I have an office in my home district. Can I deduct mileage expense from my residence to this office?

A No. Mileage from residence to place of business is not deductible. This is considered a nondeductible commuting expense.

Q The Commonwealth will pay me certain allowances for travel and other expenses. Do these allowances create additional income to me?

A Yes, they are itemized in boxes 14m and 14r and included in box 1 (federally taxable income). However, you may deduct your travel expenses while away from home (Form 2106, Part I, Line 3), transportation expenses (Form 2106, Part I, Line 2-3), meals and entertainment (Form 2106, Part I, Line 5), and other ordinary and necessary expenses for the year (Form 2106, Part I, Line 4).

In that your employer does not specify the expenses for which it is reimbursing you, you must classify the expenses in the various categories indicated on Form 2106.

Q The IRS allows me to deduct a standard allowance per mile or to itemize all of my automobile expenses and deduct the business portion of these expenses. Which method results in the greater deduction for me?

A For 2013, the standard business use mileage rate for transportation expenses paid or incurred is 56.5 cents per mile. It is necessary to itemize your automobile expenses and compare them to the deduction under the standard mileage allowance to determine which method gives you the larger deduction. However, as explained below, switching methods may be restricted.

Q If I itemize my automobile expenses one year, can I use the standard mileage allowance method the following year?

A You must elect to use the standard mileage allowance method for the first year that the automobile is used for business purposes if you wish to use the standard allowance in any other year. Once you have elected to use the standard allowance method in the first year, you may elect to use the standard allowance or you may itemize your actual automobile expenses in later years. If you use the standard mileage allowance method in the first year and then switch to the actual expense method in a later year, depreciation must be computed based on the straight-line method over the estimated remaining useful life of the automobile.

If you lease your vehicle, you may use the standard mileage rate, but you must use the rate for the entire lease period.

The standard mileage rate may not be used if any of the following apply:

- a. The automobile has been previously depreciated using a method other than the straight-line method.
- b. You claimed a Section 179 deduction.
- c. You use the car for hire, that is, you use it carrying passengers for a fare.

Q If I don't use the standard mileage allowance method for computing automobile expenses, what specific expenses am I allowed to deduct?

A Part II, Section C of Form 2106 is where you list automobile expenses. These include gasoline, oil, repairs, tires, supplies, insurance, taxes, licenses and depreciation.

Q Are there expenses I can deduct for the use of my automobile in addition to the standard mileage allowance?

A Yes. Parking fees and tolls (Form 2106, Part I, Line 2).

Q I received a traffic ticket when I was rushing to Boston for a Committee Meeting. Is the fine deductible?

A No. A traffic violation is a penalty and not a deductible expense. The same applies to parking tickets.

Q Since I receive allowances from the Commonwealth for travel, meals and lodging and other expenses while the General Court is in session, would it not be best to just disregard the allowance entirely and assume that they are completely offset by the mileage expenses and therefore not report anything?

A No, because the allowances are included in your W-2 gross income.

Q If I itemize my automobile expenses, how do I compute the depreciation deduction?

A The rules for computing depreciation of your automobile depend on the date it is placed in service and the type of vehicle.

In general, an automobile placed in service after 1986 must be depreciated over a five year recovery period using the 200% declining balance method with a switch to straight line method at a time that maximizes the deduction. If elected, the automobile may be depreciated over a five year recovery period using a straight line depreciation method.

Special Depreciation Allowance/Bonus Depreciation

In 2008, the Economic Stimulus Act of 2008 provided for a special 50% first-year depreciation for new property acquired and put into service in 2008. The maximum depreciation amount was thereby increased by \$8,000. The **American Recovery and Reinvestment Act of 2009** and subsequently the **Small Business Jobs Act of 2010** extended the 50-percent special depreciation allowance and added the 100% special depreciation allowance for to acquisitions of qualifying property placed in service after September 8, 2010 and on or before December 31, 2012. This provision enables businesses to deduct a larger portion of the adjusted basis of qualifying property in the year it is placed in service. The American Taxpayer Relief Act of 2012 extended the additional first year depreciation to purchases placed in service before January 1, 2014. Prior to the enactment of these acts, the 2013 maximum depreciation amount for a passenger automobile was \$3,160. The acts increased this limitation by \$8,000 for a new maximum limit of \$11,160. Note, however, all depreciation must be reduced by the percentage of personal use. For more information, see instructions for Form 2106.

Note that Massachusetts does *not* allow for the special first year depreciation. For Massachusetts returns, taxpayers must use the "Standard" column reduced by the percentage of personal use.

Annual ceilings may limit the amount of depreciation you are allowed to deduct. You must use the following applicable chart for your type of vehicle. Note that the amounts are maximum limits and include the bonus depreciation enacted in 2008 and extended through 2013. Bonus depreciation is optional and is *not* allowed for vehicles used less than 50% for business.

2013 Limits for Passenger Automobiles

(except Truck, Van, and Electric Automobiles placed in service after August 5, 1997)

<u>Date Vehicle Was Placed in Service</u>	<u>Standard</u>	<u>50% Bonus</u>
01/01/13-12/31/13	\$3,160	\$11,160
01/01/12 to 12/31/12	\$5,100	
01/01/11 to 12/31/11	2,950	
1/1/2006 to 12/31/2010	1,775	
1/1/2004 to 12/31/2005	1,675	
1/1/1995 to 12/31/2003	1,775	

A passenger automobile is a four wheeled vehicle manufactured for use on public roads with an unloaded gross weight of 6,000 pounds or less. Certain commercial vehicles are not considered passenger vehicles and therefore are not subject to these limits. See Publication 463 for details.

Limits for Trucks and Vans

(gross weight not to exceed 6,000 pounds)

<u>Date Vehicle Was Placed in Service</u>	<u>Standard</u>	<u>50% Bonus</u>
01/01/13-12/31/13	\$3,360	\$11,360
01/01/12 to 12/31/12	\$5,300	
01/01/11 to 12/31/11	3,150	
01/01/10 to 12/31/10	1,875	
1/1/2009 to 12/31/2009	1,775	
1/1/2004 to 12/31/08	1,875	
1/1/2003 to 12/31/2003	1,975	
1/1/1995 to 12/31/2002	1,775	

A truck or a van is a passenger automobile built on a truck chassis including a minivan or a sport utility vehicle build on a truck chassis.

Additional rules for automobiles:

a. The above limits are applied before any reduction for nonqualified business use or other use that does not qualify for the recovery deduction. Thus, the limits are applied after determining the depreciation deduction and before reduction for any personal use of the automobile.

b. Additionally, if the business use of the automobile is 50% or less, depreciation can only be figured using the straight-line method over a five year recovery period. Special Depreciation is not allowed. Use Standard limits. Also, if business use is more than 50% in the year of acquisition but falls below that in a future year, a portion of the depreciation deductions taken in prior years may have to be added back to income in such future year.

c. Unrecovered Basis - Additional depreciation may be allowed if at the end of the recovery period, there is an excess of the unadjusted basis over the depreciation deductions that would have been allowed if the automobile had been used exclusively for business purposes. This excess may be treated as depreciation deductions in subsequent tax years up to the applicable maximum allowance in each year until such unrecovered basis is used up. These limits are also reduced to the extent of personal use. Such post-recovery-period deductions are allowable in any subsequent taxable year only if the property continues to be eligible for a depreciation deduction for that year.

d. Depreciation in the year you dispose of a car – If you dispose of your car before it is fully depreciated, you are allowed a reduced depreciation in the year of disposition. Please see Publication 463 or seek advice from a tax professional if this applies.

Q I hear there are special rules for SUV's. What are they and how do I know if I qualify?

A If you drive a qualifying SUV (built on a truck chassis and has a gross vehicle weight in excess of 6,000 pounds), you are not subject to the limits listed above. For qualifying SUV's placed in service in 2013, the portion of the vehicle's cost taken into account in figuring your Section 179 deduction is limited to \$25,000. The balance of the cost of the SUV is depreciated over a five year recovery period. See the instructions to Form 2106 for the applicable depreciation method and percentages.

Q If I attend a convention relating to my activities as a legislator, and the convention is held in a foreign country, will I be able to deduct the expenses allocable to the foreign convention?

A Yes, however you must establish that the foreign convention (held outside the United States, its possessions, the Trust Territory of the Pacific Islands, Canada, or Mexico and certain Caribbean islands) is directly related to your activities as a legislator and that, after taking certain factors into account, it is “as reasonable” for the meeting to be held outside the North American area as within it. The factors to be taken into account are:

- a) the purpose of the meeting and the activities taking place at such meeting,
- b) the purposes and activities of the sponsoring organization or group,
- c) the places of residence of the active members of the sponsoring organization or group and the places at which other meetings of the organization or group have been held or will be held, and such other relevant factors as the taxpayer may present.

Expenses incurred for conventions on U. S. Ships making ports of call only in the U. S. or its possessions are deductible. The deduction must be related to the active conduct of your activities as a state legislator and is limited to \$2,000 for each person attending per year for all qualified cruises. The cruise must be on a ship registered to the US and all ports of call must be in the US or US possessions. For luxury cruises, the deduction cannot exceed twice the highest per diem amount allowable to U. S. government employees while away from home in the U. S. Two statements are required to be attached to the return. One must be signed by you listing the number of days on the trip and the number of hours of each day that is devoted to business activities as supported by a program of activities. The second statement must be signed by the representative of the sponsoring organization and it must include a schedule of the business activities each day and indicate the hours the individual attended the business related meetings.

AUTOMOBILE AND TRAVEL EXPENSES

MASSACHUSETTS

Q How do I treat these various automobile and travel expenses on my Massachusetts income tax return?

A Massachusetts allows a deduction on Form 1 at Line 15 for employee business expenses. The deduction follows rules similar to the Federal tax deduction rules described above.

One major difference, however, is that Massachusetts does **not** allow the election to treat your home district as your tax home. Without the election, it will be difficult to take deductions for travel, meals and lodgings to and within Boston since such expenses will not automatically be deemed to have been incurred away from your tax home.

Also, as mentioned above, Massachusetts does not allow the special depreciation allowed by the Federal Economic Stimulus Act of 2008 and extended by ARRA of 2009, SBJA of 2010 and ATRA of 2012.

Please refer to General Notes on The Deduction of Employee Business Expenses For Massachusetts Purposes (hereafter referred to as General Notes) located at Page 30 of this Guide for a more complete discussion.

In addition, a copy of Massachusetts Schedule Y, Other Deductions and U.S. Form 2106 or statement must be attached to your Massachusetts income tax return or the amount claimed as an employee business expense on Massachusetts Form 1, Line 15, will be disallowed, and you will be assessed an additional tax plus interest. A worksheet is provided in the Form 1 instructions.

NOTE REGARDING MISCELLANEOUS ITEMIZED DEDUCTIONS

The following expenses, beginning with *Living Expenses - Federal* on page 14 and ending with *Other Expenses - Federal* on Page 24, are deductible for Federal income tax purposes as miscellaneous itemized deductions on Schedule A. As with Auto expenses, Form 2106 is used to calculate the total to be entered on Schedule A, line 21. Currently, these deductions, plus unreimbursed automobile and other travel expenses described on Pages 6-13 and other miscellaneous deductions, such as tax preparation fees, professional dues, investment advisory fees, etc. are deductible only to the extent that in the aggregate they exceed 2% of Adjusted Gross Income (AGI).

Miscellaneous itemized deductions are not allowed for purposes of computing the alternative minimum tax (AMT). It is possible, especially for those legislators that live more than 50 miles from Boston and who have made the election under Internal Revenue Code Section 162(h) described on Page 5, that your AMT will be greater than your regular income tax. A sample Form 6251 [Alternative Minimum Tax-Individuals](#) is included in this guide to assist you in computing the AMT. Due to the number of variables used in calculating AMT, each situation is different. The easiest way to check if you are subject to AMT is via the IRS website. Using a draft 1040, go to www.irs.gov and enter "AMT Assistant" in the IRS.gov Search Box to find this online tool.

LIVING EXPENSES

FEDERAL

Q I understand that I may deduct living expenses while in Boston only if it is not considered my "tax home". How do I determine whether Boston or my residence within my legislative district is my tax home?

A Generally, if being a state legislator is your most significant income-producing activity and you spend more time in Boston carrying out your legislative duties than you do in your home district, the IRS and most courts would consider Boston your tax home.

Hence, the cost of meals and lodging while in Boston and travel to and from Boston would not be considered deductible business expenses. It should be noted that if your tax home is Boston, you may be allowed a business expense deduction for overnight travel expenses incurred while carrying out your legislative duties within your home district or while carrying on another trade or business there.

However, as noted on Page 5, if you make the election under Internal Revenue Code Section 162(h), your residence in your home district will be treated as your tax home.

Q How do I make this election and to which taxable years does it apply?

A The IRS has published guidelines for the time and manner of making the election, provided the statute of limitations has not yet expired. The election is made by attaching a detailed statement to your tax return. Consult your Certified Public Accountant for additional information. (See a sample election included in this guide).

Q If I elect to make my residence in my legislative district my tax home, what living expenses may I deduct?

A For 2013, you may report as out-of-town living expenses for each legislative day as described on page 5 as follows:

January 1 – March 31	\$229.00
April 1 - June 30	\$272.00
July 31 - August 31	\$254.00
September 1 – September 30	\$292.00
October 1 – October 31	\$308.00
November 1-December 31	\$241.00

The above rates are maximum per diem rates for the Boston/Cambridge area. As an alternative for simplicity, taxpayers may determine the per diem reimbursement for using the High-Low Substantiation Method. The High-Low Substantiation Method allows \$242 per day through September 30 and \$251 per day thereafter. You must consistently use either the High-Low rates or the seasonal rates listed above.

Your reimbursements from the Commonwealth for living expenses are included in your gross income. Thus, the benefit of this deduction will equal the difference between the total per day expense allowance reduced by the reimbursement.

Q What expenses are included in the flat per day allowance?

A The allowance is for living expenses. These include but are not limited to meals and lodging, laundry, cleaning and pressing of clothing, and fees and tips for services, such as for waiters and porters. They do not include cab fares or other auto expenses incurred in or traveling

to Boston, or the cost of phone calls. Hence, these amounts may be deducted in addition to the flat allowance. (Note: The per diem allowances consist of lodging expense and meals and incidental expense. The breakdown of expenses is as follows:

	<u>Lodging</u>	<u>Meals & Inc.</u>
January 1 – March 31	\$158.	\$71
April 1 - June 30	\$201	\$71
July 1 - August 31	\$183	\$71
September 1 – September 30	\$221	\$71
October 1 – October 31	\$237	\$71
November 1-December 31	\$170	\$71

Unless you are reimbursed by the Commonwealth, you can deduct only 50% of otherwise allowable meal expenses. Expenses for taxes and tip are also subject to the 50% limit. However, transportation expenses to and from a business meal that are otherwise deductible are not subject to the 50% limitation. These rules apply regardless of whether the expense is incurred while you are away from home overnight or not. For those using the High-Low method, Lodging is \$177 and Meals & Incidentals are \$65 until September 30, 2013. Starting October 1, it is \$186 for Lodging and \$65 for Meals & Incidentals.

Q How do I determine my deductible living expenses if I have made a Sec. 162(h) election and the Federal per diem reimbursement is greater than the amount I receive from the Commonwealth?

A The Internal Revenue Service in its Notice 87-23 gives the following example of determining deductible living expenses in instances where the Federal per diem reimbursement stipulated by the Internal Revenue Service is greater than the amount actually reimbursed to the legislator, living at least 50 miles from the state capital:

As of February, 1987, the per diem reimbursement for California state legislators was \$75 per day. The current Federal per diem for Sacramento, the state capital, was \$87 per day of which \$54 was allocable to lodging and \$33 (38% of \$87) represented a meal allowance. For each legislative day, a legislator electing under Sec. 162(h) would include the \$75 per diem in income, and, with respect to the \$87 that would be otherwise be deductible, would allocate \$12 (excess of \$87 over \$75) between meals and travel expense. Of the \$12, the percentage allocable to the meals allowance (38%) would result in an allocation to meals of \$4.56, of which 20% (.91 per day) would not be deductible. The portion of the \$12 allocated to travel expense (\$7.44) and the deductible portion of the meals expense (\$3.65) would be treated as a miscellaneous itemized deduction subject to the 2% adjusted gross income limitation. [Note - For 2013, the 20% disallowance factor for meals would be 50%].

Q If I choose not to elect this special treatment or if I am not eligible to make the election, what can I deduct for living expenses while attending sessions in Boston?

A If, given your circumstance, your tax home is your residence within your legislative district, you may deduct actual amounts spent for lodging, meals, laundry, cleaning and pressing of clothes, tips, telephone calls, and all transportation costs including commuting costs within Boston and transportation to and from Boston.

Receipts are required to be kept for certain expenses. It is suggested that you keep as many receipts as possible and all cancelled checks to support your business expenses (see section on recordkeeping requirements at page 32).

Q Because I am in Boston for long periods of time, I find it necessary and desirable to have my spouse and children occasionally come to Boston. Can I deduct the incremental cost of their travel to Boston, incremental motel costs and cost of their meals?

A No. No deduction is allowed for expenses paid or incurred with respect to a spouse or other individual accompanying you unless your spouse or other individual is an employee of the Commonwealth and the travel is for a bonafide business purpose.

Q After some committee meetings in Boston which last late into the evening (until 11:00 or 12:00), I have a sandwich or some refreshments. Is this a deductible business expense?

A Yes, provided that you are away from your tax home (as explained on page 5 of this guide). In addition, the cost is subject to the 50% limitation.

LIVING EXPENSES

MASSACHUSETTS

Q How do I treat these living expenses on my Massachusetts tax return?

A The State does not allow such living expenses as deductions. These expenses are expenses that would be only deductible in computing Federal taxable income if incurred while away from your tax home. See the General Notes at Page 30 of this Guide for a discussion of the “tax home” rules.

OFFICE AT HOME

FEDERAL

Q Can I deduct any costs of my home as a business expense?

A Yes, if all of the following conditions are met:

- 1) A specific portion of your home is used **exclusively** and regularly as an office to meet with your constituents (occasional meeting does not suffice);
- 2) The foregoing is your **principal place of business** for your legislative activities within your legislative district; and
- 3) Your office at home must be for the convenience of your employer - the Commonwealth. If the use of the home office is for your convenience and merely helpful, it cannot be deducted.

A home office meets the **principal place of business** test if:

- 1) you use it regularly and exclusively for administrative or management activities, and
- 2) you have no other fixed location to do such work.

If the above conditions are met, there are now two options for deductions for a home office. **New in 2013**, you now have a **simpler option** for calculating your home office deduction. The **regular method** requires you to determine your deduction based on a complex calculation allocating expenses and depreciation by the percentage of your home devoted to your business activities. The **simpler option** uses a set cost per square foot.

Using the **regular method**, you may deduct the following items:

Depreciation or rent:

Depreciation is computed by using the lower of the cost of your home, less the land cost or the fair market value less land value, when your home or part of it was converted to business use and apportioning it over the remaining useful life. Compute the percentage of space in your home used for business purposes based on a pro-ration over the total

space in your home. This percentage is applied to the total annual depreciation and the resulting portion of depreciation may be deducted on your tax return. If you are renting a home or apartment, the business portion (percentage) of your residence is applied to your annual rent to determine the deduction.

Note that if deducting your home office using this regular method, it may impact your taxes upon selling your home. When calculating any gain, you must decrease the cost basis by the depreciation you were allowed to take whether you took it or not. If you have any concerns, you should consult a tax advisor for more information.

Other expenses:

Utilities and insurance related to maintaining an office in your home may be apportioned based on the percentage of square footage of your home or apartment that is used as an office.

Also, where a designated space or particular room in your home is used exclusively for such an office, any maintenance expenses to keep up this particular area may be deducted as a business expense for that particular year. Examples of such items would be cleaning and painting. Carpentry work to install bookcases or other improvements and work to install carpet in this particular area would be a capital expense and also fully deductible by depreciation over the appropriate recovery period.

The expenses attributable to the business use of the home may not exceed the business gross income after it has been reduced by all other expenses not allocable to the use of the home. Expenses not deductible due to this limitation may be carried forward with this method.

The new, **simpler option** allows a standard \$5 per square foot of office space up to a maximum of 300 square feet (\$1500). There is no calculation of expenses, depreciation and recapture of depreciation upon home sale, allocation between office and schedule A, nor carryover of loss. Allowable home-related itemizes deduction (mortgage interest and real estate taxes) are claimed in full on Schedule A.

Both methods must meet the conditions (exclusive use, etc.) set out above.

Careful records of how often meetings with constituents took place and how much time was devoted to them should be kept to substantiate regular use of the home office no matter which method is used .

For more information on the tax deduction for a home office, you may wish to refer to IRS Publication 587, Business Use of Your Home.

Q What office expenses may I deduct?

A Office equipment and furniture such as a desk, file cabinet, computer, adding machine and similar other items used by a legislator may be depreciated over the applicable recovery period and the business portion of this depreciation expense may be deducted on your income tax return. This applies to both methods.

Salaries or wages paid are another deductible expense you may incur. If you hire someone such as a full or part-time secretary to assist you in legislative matters and handle constituent complaints, the salary paid to this individual is deductible. If an individual is on your payroll, you, as an employer, must obtain a Federal identification number and withhold and pay the appropriate payroll taxes (the employer's portion is deductible). For the details on the proper accounting and tax reporting of payroll, you should contact your Certified Public Accountant.

The fee paid to your CPA is also a business expense and may be deducted on your tax return. If you have student help or volunteer help in working on local legislative matters, and no out-of-pocket expense is incurred by you, then, of course, there is no tax deduction.

Q If I have a legislative assistant in my home district that I pay only a token amount each month, am I required to go through the process of filing payroll tax returns and withholding payroll taxes?

A In most situations, all amounts paid for services are subject to payroll taxes. However, there are some exceptions as in the case of an independent contractor. You should consult your Certified Public Accountant to evaluate each situation for you.

Q Instead of an office in my home, I maintain a rented office in my district for the purpose of serving my constituents. What expenses can I deduct on my tax return for the cost of maintaining this office?

A If the office is being used exclusively for legislative purposes, all expenses related to this office (rent, utilities, depreciation on improvements and equipment, etc.) are deductible. The issue to be aware of in this instance is the use of the office for other purposes, such as campaign matters. If some office expenses are paid out of campaign contributions, these expenses would not be a valid tax deduction since you personally have not incurred an out-of-pocket expense. If campaign contributions used for office expenses exceed the campaign-related costs of operating the office, then such excess is includible in taxable income. If campaign-related office expenses exceed campaign contributions, such excess is not deductible. Detailed records should always be maintained and in case of campaign expense you should keep a detailed record of all receipts used from sources other than yourself to determine whether or not your expenses exceed your income or vice versa. If expenses exceed funds from these other sources, and such expenses are in fact campaign expenses, then these specific expenses are not deductible (see Campaign Expenses beginning on page 28).

OFFICE AT HOME

MASSACHUSETTS

Q What is the Massachusetts treatment of office at home expenses?

A Generally, these expenses are only deductible for Federal purpose if one itemizes deductions on Schedule A, Form 1040. Since Massachusetts does not recognize itemized deductions (with the exceptions of alimony, medical expenses and unreimbursed expenses for travel, meals and lodging while away from home), there is generally no deduction allowed for office at home expenses. However, to the extent these itemized deductions are treated as reimbursed, they will also be allowed as a deduction for the Massachusetts tax return. See enclosed Worksheet on page 31.

ADVERTISING EXPENSE

FEDERAL

Q Because I am a member of the General Court, I am often called upon to purchase ads in trade journals, newspapers, or magazines sponsored by various organizations in my district. Can I deduct the cost of these ads?

A Where these ads are paid by you and are a necessary part of your business in order to maintain relations with your constituency and also in order to promote your name (which is necessary to an elected official so people are aware of who you are), then this type of expenditure is deducted as a business expense on your tax return.

If these ads appear during a re-election campaign period in which you are involved, the cost of these ads are considered campaign expenses and as such are not deductible. The ads appearing during your campaign should be paid out of campaign contributions.

Q I buy calendars, pens or similar items which include my address and phone number as a means of advertising. I pass these items out to my constituents so they can contact me when needed. Can I deduct such items?

A Since this is directly related to your business of adequately and properly serving your constituency, you may deduct the cost of these items on your tax return. When these items are distributed during a re-election campaign period, they should be paid out of campaign contributions.

ADVERTISING EXPENSE

MASSACHUSETTS

Q How do I treat these various advertising expenses on my Massachusetts tax return?

A Because these expenses are only deductible for Federal purposes as itemized deductions they are not deductible in arriving at Massachusetts taxable income except to the extent they are treated as reimbursed, in which case they would appear on Massachusetts Form 1, Line 15. See enclosed Worksheet on page 31.

MEAL AND ENTERTAINMENT EXPENSES

FEDERAL

NOTE: Only 50% of meal and entertainment expenses are deductible. In addition, in order to obtain any deduction, there must be a substantial and bona-fide business discussion during, directly preceding or following the meal provided to others, and the meal may not be lavish or extravagant.

Q I am required to meet with a constituent regarding a state problem and I meet him for breakfast, lunch or dinner, and pay for his meal. Can I deduct this as a tax expense?

A Yes. Remember to keep up your expense diary as to who, why, where, when and how much. Receipts must be retained for any meal consumed at a meeting exceeding \$75 in total cost.

Q As a member of the General Court, I am requested (and required because of my position) to attend many dinners within my district. Can I deduct the cost of these dinners?

A Yes, if you pay for your dinner. Incidentally, any costs incurred to attend such dinners (travel expense, parking fees, etc.) are also deductible and are not subject to the 50% limitation described above.

Q Because of my position in the community, I occasionally will entertain other elected officials, such as city councilors and mayors or I will entertain

congressmen, primarily for the purpose of maintaining communications with them and to explore common problems and determine solutions. Can I deduct this expense?

A Yes, as long as it is directly related to your legislative position and you can show the business purpose for the entertainment or meeting. Here again, it is recommended that you keep an itemized record to indicate the date, place, who was there, and the purpose of the meeting together with receipts for expenses in excess of a total of \$75 per meeting.

Q **While in Boston on certain special occasions, such as St. Patrick's Day, I will have a gathering of fellow legislators and other individuals connected with the legislature. Can I deduct the expense of this gathering as a business expense?**

A If the gathering can be shown to have a business purpose, then it would qualify as a business deduction. You should have paid receipts for support and indicate the business purpose and show who attended the function.

MEAL AND ENTERTAINMENT EXPENSES

MASSACHUSETTS

Q **Are meal and entertainment expenses deductible in arriving at Massachusetts taxable income?**

A With the exception of meal and entertainment expenses incurred away from home, such expenses are deductible only to the extent they are treated as reimbursed. These expenses would appear on Massachusetts Form 1, Line 15. See enclosed Worksheet on page 31.

TELEPHONE EXPENSE

FEDERAL

Q **Can I deduct the cost of my telephone since I use the telephone for calling and receiving calls from constituents and for other State business?**

A The basic cost of the telephone land line is an expense that you would incur whether or not you were in your position as a member of the General Court, and is therefore a nondeductible personal expense. Calls charged in *excess of the basic rate* are a deductible expense if they directly relate to State business and to your position as

a member of the General Court. If you have a separate telephone installed **exclusively** for the purpose of your legislative business, then the entire cost of this telephone could be deducted as a business expense. The cost of long distance telephone calls and electronic communications that relate to State business is a deductible expense. Use of an answering service is also a deductible expense, if it is directly related to your position as a member of the General Court. An answering machine to record messages phoned into your home in your absence is an expense required by your office and would be a deductible business expense. Cell phones costs can be deducted based on proportion of business use.

TELEPHONE EXPENSE

MASSACHUSETTS

Q How are telephone expenses handled for State purposes?

A They are deductible for State purposes if they are treated as reimbursed. They would appear on Massachusetts Form 1, Line 15. See enclosed Worksheet on page 31.

OTHER EXPENSES

FEDERAL

Q What other expenses can I deduct on my tax return?

A There are many other expenses you would incur as a result of your position as a member of the General Court. Some of these expenses would include the following:

1. Stationery and postage related to mail concerning your business as a member of the General Court.

2. Any other supplies such as pens, paper clips, pencils, etc. necessary to maintain your office and serve your constituency.

3. Dues to certain organizations that you now belong to, only to benefit you in your capacity as a member of the General Court, are deductible expenses. Examples would be dues to civic and public service organizations in your community. Dues paid to athletic clubs, business luncheon clubs, and airline and hotel clubs are **not** deductible, regardless of business purpose.

4. Newspapers and magazines - the cost of obtaining additional publications because of your position as a State legislator, such as special weekly papers in your district, special publications relating to politics, to the State or related areas of

government, which are necessary for you to improve yourself as a legislator, are deductible expenses. If you incurred these expenses on a normal basis and for personal reasons, the costs would not be deductible expenses.

5. The cost of holiday cards to ward leaders, and leaders in the community, is a form of advertising expense, again directly related to your business as a member of the General Court. To the extent that you buy special holiday cards and have a mailing to people related to you in politics, this becomes a tax deductible expense (cost of the cards, envelopes, postage, and photographs if included in the card).

6. Cost of newsletters sent to constituents is a tax deductible expense.

OTHER EXPENSES

MASSACHUSETTS

Q Are there other expenses deductible on my Massachusetts return?

A Yes, any business-related miscellaneous expense that is treated as a reimbursed expense is deductible and reported on Massachusetts Form 1, Line 15. See enclosed Worksheet on page 31.

CAMPAIGN CONTRIBUTIONS

FEDERAL

Q During my recent campaign for office, I received contributions which exceeded my campaign expenses by \$3,500. How do I treat this excess on my tax return?

A Political funds are not taxable to the political candidate by or for whom they are collected if they are used for expenses of a political campaign or some similar purpose. However, if the funds are used by a candidate for personal purposes, they are taxable in the year of the diversion.

Political contributions are considered used for campaign purposes if: (1) they are utilized for generally recognized campaign expenses regardless of when incurred, (2) contributed to a committee of the candidate's party, or (3) used to reimburse the

candidate for his out-of-pocket expenses paid during the current, or if he is not currently campaigning, the last previous campaign.

Where political contributions are includible in income, a deduction may be allowed if, for example, the funds are used for business purposes or contributed to charity.

The Treasury says detailed reports should be kept summarizing the receipt and disbursement of funds. If political funds are commingled with personal funds so as to make tracing impractical, the funds will be presumed to be devoted to personal use.

Contributions to funds used exclusively to prepare and circulate a newsletter are treated the same as other political contributions. Questions and answers regarding a newsletter fund appear later in this guide.

Income from excess contributions set aside in a separate campaign fund bank account for use in subsequent campaigns must be reported on a U. S. Income Tax Return for Certain Political Organizations, (Form 1120-POL), for the taxable year in which such income is so credited. (See copy of Form 1120-POL at end of this guide).

IMPORTANT - Please note that any fund-raising solicitation done by a political organization having gross receipts of more than \$100,000 per year must include an express statement in the solicitation stating that contributions or gifts to a political organization are not deductible as charitable contributions.

Additionally, a political organization that offers to sell or solicits money for specific information or a routine service to any individual that could be easily obtained by that individual from an agency of the federal government free of charge or for a nominal fee must disclose that fact in a conspicuous manner when making any such offer or solicitation.

Failure to comply with these requirements could result in substantial penalties.

Q During the period of my last campaign, I received cash and securities from donors for use in my campaign. The cash earned interest while on deposit in a savings bank, cash dividends were paid on securities and a gain realized on their subsequent sale. I maintained a complete set of books and records for these funds which were held separate and distinct from my personal funds. No part of these funds was used by me for other than campaign purposes.

- a. What part of these funds is taxable for Federal income tax purposes?**
- b. What type of return should I file to report income from campaign funds and when is such a return due?**
- c. What expenditures are deductible in computing taxable income?**

A a. Campaign contributions are not taxable to a political candidate by or for whom they are collected if they are used for expenses of a political campaign or some similar purpose. However, interest earned on bank deposits, the cash dividends received on contributed securities, and the gains realized on sales of contributed securities, (net of any losses on such sales) are includible in gross income. Expenses incurred upon the sale of contributed securities are to be taken into account in determining gain realized on such sales.

b. If a political organization or committee's taxable income is greater than \$100, that income must be reported on a U.S. Income Tax Return for Certain Political Organizations (Form 1120-POL), and any resultant tax paid. The due date for filing for Form 1120-POL is the fifteenth day of the third month following the close of each taxable year.

With respect to political candidates who have exclusive personal control over campaign funds which are maintained separately from their personal funds, taxable income exceeding \$100 is reported on U.S. Fiduciary Income Tax Return (Form 1041). The return is due April 15 following the year during which the candidate held the funds.

c. Allowable deductions in computing taxable income are limited to the \$100 exemption and expenses directly attributable to the income are required to be reported on Form 1120-POL or Form 1041.

Thus, you may claim a deduction for expenses directly attributable to the production of interest and dividend income. You may not claim a deduction for any expenses in connection with your campaign in computing taxable income.

Q Can individual donors claim a tax deduction on their personal income tax returns for contributions to my campaign?

A No.

CAMPAIGN CONTRIBUTIONS

MASSACHUSETTS

Q How are these various questions relating to campaign contributions handled on my Massachusetts return?

A Massachusetts gross income is based upon Federal gross income with appropriate State adjustments. In the case of excess campaign contributions, if an individual finds that he must include political contributions with his Federal income, then he must likewise recognize this income for State purposes.

If a Federal Form 1120-POL or 1041 is required to be filed, then a Form 3M is required for Massachusetts. (See Form 3M attached.)

CAMPAIGN EXPENSES

FEDERAL

Q Are my campaign expenses deductible for tax purposes?

A A candidate's campaign expenditures out of his or her own resources are not deductible for income tax purposes.

In 1962, Congress enacted Section 162(e)(2)(A) of the Internal Revenue Code, which disallows all deductions for expenditures in any political campaign for a candidate for public office.

Even though a public office is defined as a trade or business (Section 7701(a)(26), 1986 IRC), none of a candidate's campaign expenses are deductible. Regardless of the result of the election, the candidate cannot deduct expenses for attending political conventions, contributions to the political party which sponsored the candidacy, expenses of campaign travel, campaign advertising, the expenses of successfully defending his or her position in a contested election, filing fees, or the cost of legal fees paid in litigation over redistricting. Furthermore, none of these expenses may be amortized as capital expenditures over the term of the office.

Even though political office may be viewed as a stepping stone to some other business or profession, this is not enough to change the result. Thus, political campaign expenses are not deductible by a lawyer, seeking election as a legislator in the hope that the exposure will build his or her professional practice. Even though a candidate felt that his or her professional reputation was damaged during a political campaign, he or she cannot deduct the cost of any defamation litigation for allegations published during the campaign.

CAMPAIGN EXPENSES

MASSACHUSETTS

Q Are my campaign expenses deductible on my State tax return?

A No.

NEWSLETTER FUND

Q What is a newsletter fund?

A A newsletter fund is a fund established and maintained by an individual to prepare and circulate a newsletter. The fund can be set up by the holder of any Federal, State or local elective public office. Candidates for any such office can also establish a newsletter fund, as can individuals who have been elected to public office but have not yet started their term in office.

After leaving office, the newsletter fund provision is not available unless the individual again becomes a candidate.

Q How is a newsletter fund accounted for?

A A newsletter fund is treated as an exempt political organization. The assets in the fund must be maintained in separate accounts and used solely to prepare and circulate the newsletter. The cost of preparing the newsletter includes the cost of secretarial services and the cost of printing, and mailing the newsletter.

Q Is a newsletter fund subject to tax?

A A newsletter fund is subject to tax similar to a political organization as discussed in answers to previous questions, except that it is not allowed the \$100 deduction allowed to political organizations (See Form 1120-POL).

Q What about unexpended balances of a newsletter fund?

A The unexpended balances of a newsletter fund may be contributed to or for the use of another newsletter fund, transferred to the general fund of the U. S. Treasury or of any state or local government, or transferred to or for the use of an exempt public charity, without being considered as having been diverted for the individual's personal use. However, transfer of unexpended assets to a political organization which is not a

newsletter fund will be considered as being diverted for the individual's personal use and deemed as taxable income to the individual.

GENERAL NOTES ON THE DEDUCTION OF EMPLOYEE BUSINESS EXPENSES FOR MASSACHUSETTS PURPOSES

1. Election to Treat Your Home District as Your Tax Home Inapplicable for Massachusetts Purposes:

Federal law allows legislators to make an election under Internal Revenue Code Section 162(h) permitting their home district to be deemed as their tax home. The significance of this election is that all travel, meals and lodging incurred on business conducted outside the home district is considered to be "away from home" and, consequently, fully deductible as miscellaneous itemized deductions subject to the 2% AGI floor.

This election is inapplicable for Massachusetts tax purposes. However, Massachusetts legislators may still be able to establish through other facts and circumstances that their home district is their tax home. Maintaining an office in the home district, either within their residence or in an outside office, where constituents are regularly consulted will be a key factor. A detailed log of time spent in the office and the names of constituents should also be kept. The amount of time spent working in the home district will probably have to equal or exceed the time spent in Boston in order for the legislator to prevail. In most cases, it is likely that Boston will be determined to be a State legislator's tax home. Accordingly, unreimbursed meals and lodging and transportation to and from the home district will not be deductible in many instances.

2. Computation of Deduction of Business Expenses as Employee of the Commonwealth:

The employee business expense deduction is limited. Reimbursed and certain unreimbursed business expenses can be deducted if all of the following conditions are met:

- a. The expenses are itemized on Schedule A of Form 1040.
- b. Taxpayers who file a joint U. S. return must also file a joint Massachusetts return.

c. Unreimbursed business expenses taken together with other miscellaneous deductions reported on U.S. Form 1040, Schedule A, exceed 2% of your federal gross income.

Note: Previously, same sex joint filers needed to recalculate allowable expenses and adjusted gross income by combining income and expenses as reported on individual 1040. Pursuant to recent Supreme Court (US vs Windsor) rulings, same sex Massachusetts joint filers must file their Federal returns as married as well. This greatly simplifies tax returns. Please consult your tax advisor for more information.

The following Worksheet may be used to calculate your Massachusetts employee business expense deduction.

1.	Enter the amount from U.S. Form 2106, line 10, or 2106-EZ, line 6	
2.	If you are an employee other than an outside salesperson, enter the amount of unreimbursed expenses included in U.S. Form 2106 or 2106-EZ, line 4	
3.	If you are an employee other than an outside salesperson, enter the amount of unreimbursed meals and entertainment expenses included in U.S. Form 2106, line 9, column B or 2106-EZ, line 5 , except for meals incurred while away from home	
4.	If you are an individual with a disability, enter the amount of impairment-related expenses included in item 1 and claimed on line 28 of U.S. Form 1040, Schedule A	
5.	Add lines 2 through 4. Enter the result here	
6.	Subtract line 5 from line 1, and enter the result here	
7.	Enter the amount from U.S. Form 1040, Schedule A, line 27	
8.	Enter the smaller amount of line 6 or line 7 here and on Massachusetts Schedule Y, line 1	

RECORD KEEPING

Q What kind of information do I need to substantiate my deduction for travel, entertainment and other business expenses?

A *Estimates are not acceptable.* The taxpayer must "substantiate by adequate records or sufficient evidence corroborating his own statements" all expenditures for travel, entertainment, meals, gifts and listed property.

Other business expenses must be supported by receipts, cancelled checks and books of record. In every case, the business nature of the expense must be evidenced in some fashion. You should err on the side of keeping more documentation than is required, rather than not enough.

The elements for recording **travel expenses** are:

1. The amount spent daily for transportation, meals, lodging, etc.. Such expenses may be aggregated in reasonable categories such as gasoline and oil, taxis, meals, etc.. You do not have to substantiate the amount of business expenses incurred while away from your "tax home" on business, if they do not exceed the standard allowance for such expenses. The standard allowance for living expenses incurred in Boston while away overnight from your tax home are as described on pages 13 through 16. As discussed on Page 4, legislators qualifying to make the election under Internal Revenue Code Section 162(h) will be deemed to be away from their "tax home" for each legislative day. You still must substantiate Items 2 through 4 below;
2. The dates of departure and return, and the number of days spent on business;
3. The destination or locality of the travel designated by the name of a city, town, or similar description; and
4. The business purpose of the trip, or the business benefit derived or expected to be derived as a direct result of the travel.

Entertainment expenses, including business meals provided to others, should be recorded as follows:

1. The amount and description (i.e., "dinner" or "theater") of each separate expenditure. (However, incidentals such as taxi fares and telephone calls may be aggregated.);
2. The time and place the entertainment was provided; and
3. The business purpose of the activity including a description of any business benefit derived or expected, and the nature of any business discussion or activity with the person entertained.

In order to deduct the cost of **business gifts**, the taxpayer must substantiate:

1. The cost and a description of the gift (it should be noted that the deduction for gifts is limited to \$25 per donee per year);
2. The date upon which the gift was made;
3. The business reason for or the benefit derived or expected as a result of the gift; and
4. The business relationship of the recipient to the taxpayer, including the name, title, or other designation sufficient to establish such relationship. It is not necessary to record the recipient's name in certain situations, if the business relationship of the gift is clear and if it is apparent that the taxpayer is not attempting to avoid the \$25-per-donee limitation.

Thus, if a taxpayer purchases a large number of inexpensive tickets to a local high school basketball game, and distributed one or two of them to each of a large number of constituents, he need not record the names of recipients. However, the taxpayer must still substantiate the cost, date, description, and business purpose of the gift. (Note however, if the taxpayer accompanies the recipient to an event, you must treat the cost of those tickets as entertainment expense.)

Exceptions: The following items are not considered gifts for purposes of the \$25 limit and therefore do not require the substantiation noted above.

1. An item that costs \$4 or less and:
 - a. Has your name clearly and permanently imprinted on the gift, and
 - b. Is one of a number of identical items you widely distribute. (e.g. pens, bags, etc)
2. Signs, display racks or other promotional (not campaign) material to be used on the business premise of the recipient,

In order to deduct the cost of **other entertainment**:

The taxpayer must record the above elements for each separate expenditure. Generally, a single payment for goods, services, or facilities will be considered a separate expenditure. Thus, where the taxpayer entertains a guest for dinner and the theater, the payment for the meal and the payment for the tickets are deemed to constitute separate expenditures, each of which must be individually recorded. If the taxpayer holds season or series tickets to an event, he or she must treat each ticket in the series as a separate item, and record the use of each for entertainment or gift purposes.

However, concurrent or repetitious payments made during the course of a single event which are of a similar nature may be treated as a single expenditure. Thus, rounds of drinks paid for separately during an evening's entertainment at one place may be aggregated.

In some instances certain kinds of expenses can be aggregated on a daily basis. Thus, the regulations permit the taxpayer to treat as one expenditure the total meal expenses (breakfast, lunch, and dinner) incurred in one day. Tips may be aggregated with the expense of the services to which they relate. Other expenses which may be grouped include "gasoline and oil", "taxi", and "telephone calls".

Listed property:

Includes automobiles, other forms of transportation (airplanes, certain trucks, boats, etc.), computers (except computers used by a regular business establishment) and entertainment, recreational and amusement property. To obtain the depreciation deduction, the records must establish:

- a. The amount of deduction (use of the standard mileage rate for automobiles referred to on Page 6 will substantiate the amount);
- b. The date of the business use;
- c. The number of miles (total and business) in the case of an automobile or other means of transportation; or amount of time the property was used (total and business) in the case of other listed property;
- d. Purpose of the use of the property.

Records regarding personal use of the listed property do not have to be kept if the overall use of the property for the year can be definitely determined without such records, such as by automobile odometer readings at the beginning and end of the year.

Employees must establish that use of the listed property is for the convenience of the employer and that without use of the property, the employee could not properly perform his duties.

Adequate records consist of:

1. Diaries or account books. Recording the elements of an expenditure "at or near the time" when the expense was incurred has a high degree of credibility not present with respect to a statement prepared subsequent thereto when generally there is a lack of accurate recalls. Thus, although no special form of records must be maintained, it is clear that the IRS contemplates that the taxpayer will keep a diary or account book in which entries can be made on a daily basis.

The degree of specificity of entries in a diary or account book will vary with the facts and circumstances of each expenditure.

Where documentary evidence is required, it is not necessary to make a diary entry which duplicates information contained in the receipts if the receipts and diary complement each other in an orderly fashion. Again, where the business purpose of an expenditure is evident from surrounding facts and circumstances, a written statement of such business purpose is not required.

Confidential or highly sensitive information need not be recorded in a diary or account books. However, the taxpayer should be ready to submit a proper record of the expenditure to the District Director during an audit if he is to support a deduction for the expenditure.

2. Documentary evidence. A diary or account book standing alone is not sufficient substantiation in all circumstances. The taxpayer must be prepared to produce documentary evidence (i.e., receipts, paid bills, etc.) in order to deduct (i) lodging expenses incurred while traveling away from home, and (ii) expenses in excess of \$75. Documentary evidence supporting an expenditure for transportation in excess of \$75 will not be required if said documentation is not readily available. Such expenses can be easily authenticated by fare schedules and by mileage rates.

Usually a receipt will suffice if it contains enough information to establish the amount, date, place and character of an expense. Thus, a hotel receipt must include the name, location, date, and the separate charges for lodging, meals, telephone, etc., if it is to serve as adequate substantiation of a business travel expense. Similarly, a restaurant receipt must indicate the name and location of the restaurant, the date, and the charge for food, beverages, and other items.

A cancelled check will not ordinarily constitute adequate documentary evidence since it does not show in detail the specific items composing the total expenditure. Thus, if a taxpayer makes a long-distance telephone call home (a personal expense), a hotel receipt would usually indicate this fact while a cancelled check would not. However, a cancelled check, in connection with the payee's bill, will typically be sufficient to substantiate the business nature of an expenditure. The detail required is important for it is the basis upon which an allocation between personal and business expenses can be made.

Moreover, if expenses incurred with respect to certain persons (i.e., spouses) are not deductible, it is essential that evidence of the cost incurred with respect to them be available. Otherwise, they will be deemed to bear a proportionate share of the total charge.

RETENTION OF RECORDS

The taxpayer must retain his records and related documentary evidence in support of travel, entertainment, and gift deductions during the period that his taxpayer's return is subject to audit.

Normally, this period is three years from the date of filing the tax return on which he claimed the deduction. However, the period of limitations is longer if the taxpayer consents to an extension, or if there has been a substantial omission from gross income. Moreover, there is no statute of limitations in cases of fraud.

Please note that the sample forms included in the following section are not necessarily the most current. You will need to obtain the most current forms for filing purposes. The following sites are useful for obtaining forms and additional information:

Internal Revenue Service: www.irs.gov

Massachusetts Department of Revenue: www.mass.gov

ELECTION PER IRC SECTION 162(h)

An individual who is a state legislator at any time during the tax year may elect to treat his residence within the legislative district that he represents as his tax home. He will thus be considered to be "away from home" on each legislative day. The election is available to a legislator if his residence is (1) within his legislative district and (2) is more than 50 miles away from the state capitol building.

How to make the election:

The election is made by a written statement attached to the income tax return (or amended return) for the tax year for which the election is made. The election is an annual election and must contain:

1. The name, address, and taxpayer identification number of the electing taxpayer,
2. Identify the election,
3. Indicate that is made under Code Sec. 162(h),
4. Provide the information necessary to show that the taxpayer is entitled to make the election.

SAMPLE ELECTION

State Legislator's Election to Treat Residence as Tax Home

*Taylor C. Ross
100 Main Street
Someplace, MA 12345
SSN 123-45-6789*

Taxpayer, a state legislator, elects to treat his residence as his tax home pursuant to Code Sec. 162(h). His place of residence is within the 99nd district, which is the legislative district that he represents. The residence is more than 50 miles from the State Capital building in Boston.

Sample Logs from IRS publication 463

Daily Business Mileage and Expense Log Name:

Date	Destination (City, Town, or Area)	Business Purpose	Odometer Readings			Expenses	
			Start	Stop	Miles this trip	Type (Gas, oil, tolls, etc.)	Amount
	Weekly Total						
	Total Year-to-Date						

Weekly Traveling Expense and Entertainment Record

From: / / To: / / Name:

Expenses	Sunday		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday		Total	
1. Travel Expenses:																
Airlines																
Bus – Train																
Cab and Limousine																
Tips																
Porter																
2. Meals and Lodging:																
Breakfast																
Lunch																
Dinner																
Hotel and Motel (Detail in Schedule B)																
3. Entertainment (Detail in Schedule C)																
4. Other Expenses:																
Postage																
Telephone																
Stationery & Printing																
Other :																
Assistant(s)																
5. Car Expenses: (List all car expenses - the division between business and personal expenses may be made at the end of the year.) (Detail mileage in Schedule A.)																
Gas, oil, lube, wash																

Expenses	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
Repairs, parts								
Tires, supplies								
Parking fees, tolls								
6.Other (Identify)								
Total								

Note: Attach receipted bills for (1) ALL lodging and (2) any other expenses of \$75.00 or more.

Schedule A – Car

Mileage: End								
Start								
Total								
Business Mileage								

Schedule B – Lodging

Hotel or Motel	Name	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
	City								

Schedule C – Entertainment

Date	Item	Place	Amount	Business Purpose	Business Relationship

WEEKLY REIMBURSEMENTS:

Travel and transportation expenses

Other reimbursements

TOTAL

Employee Business Expenses

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.
▶ Information about Form 2106 and its separate instructions is available at www.irs.gov/form2106.

Attachment
Sequence No. **129**

Your name	Occupation in which you incurred expenses	Social security number
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Part I Employee Business Expenses and Reimbursements

Step 1 Enter Your Expenses	Column A Other Than Meals and Entertainment	Column B Meals and Entertainment
1 Vehicle expense from line 22 or line 29. (Rural mail carriers: See instructions.)	1	
2 Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work	2	
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. Do not include meals and entertainment	3	
4 Business expenses not included on lines 1 through 3. Do not include meals and entertainment	4	
5 Meals and entertainment expenses (see instructions)	5	
6 Total expenses. In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5	6	

Note: If you were not reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.

Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

7 Enter reimbursements received from your employer that were not reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions).	7	
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Step 3 Figure Expenses To Deduct on Schedule A (Form 1040 or Form 1040NR)

8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040, line 7 (or on Form 1040NR, line 8)	8	
<p>Note: If both columns of line 8 are zero, you cannot deduct employee business expenses. Stop here and attach Form 2106 to your return.</p>		
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	9	
10 Add the amounts on line 9 of both columns and enter the total here. Also, enter the total on Schedule A (Form 1040), line 21 (or on Schedule A (Form 1040NR), line 7). (Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities: See the instructions for special rules on where to enter the total.) ▶	10	

Part II Vehicle Expenses

Section A—General Information (You must complete this section if you are claiming vehicle expenses.)

		(a) Vehicle 1	(b) Vehicle 2
11	Enter the date the vehicle was placed in service	11 / /	/ /
12	Total miles the vehicle was driven during 2013	12 miles	miles
13	Business miles included on line 12	13 miles	miles
14	Percent of business use. Divide line 13 by line 12	14 %	%
15	Average daily roundtrip commuting distance	15 miles	miles
16	Commuting miles included on line 12	16 miles	miles
17	Other miles. Add lines 13 and 16 and subtract the total from line 12	17 miles	miles
18	Was your vehicle available for personal use during off-duty hours?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
19	Do you (or your spouse) have another vehicle available for personal use?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
20	Do you have evidence to support your deduction?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
21	If "Yes," is the evidence written?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Section B—Standard Mileage Rate (See the instructions for Part II to find out whether to complete this section or Section C.)

22	Multiply line 13 by 56.5¢ (.565). Enter the result here and on line 1	22
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Section C—Actual Expenses

		(a) Vehicle 1	(b) Vehicle 2
23	Gasoline, oil, repairs, vehicle insurance, etc.	23	
24a	Vehicle rentals	24a	
b	Inclusion amount (see instructions)	24b	
c	Subtract line 24b from line 24a	24c	
25	Value of employer-provided vehicle (applies only if 100% of annual lease value was included on Form W-2—see instructions)	25	
26	Add lines 23, 24c, and 25.	26	
27	Multiply line 26 by the percentage on line 14	27	
28	Depreciation (see instructions)	28	
29	Add lines 27 and 28. Enter total here and on line 1	29	

Section D—Depreciation of Vehicles (Use this section only if you owned the vehicle and are completing Section C for the vehicle.)

		(a) Vehicle 1	(b) Vehicle 2
30	Enter cost or other basis (see instructions)	30	
31	Enter section 179 deduction and special allowance (see instructions)	31	
32	Multiply line 30 by line 14 (see instructions if you claimed the section 179 deduction or special allowance).	32	
33	Enter depreciation method and percentage (see instructions)	33	
34	Multiply line 32 by the percentage on line 33 (see instructions)	34	
35	Add lines 31 and 34	35	
36	Enter the applicable limit explained in the line 36 instructions	36	
37	Multiply line 36 by the percentage on line 14	37	
38	Enter the smaller of line 35 or line 37. If you skipped lines 36 and 37, enter the amount from line 35. Also enter this amount on line 28 above	38	

Department of the Treasury
Internal Revenue Service (99)

► Information about Form 6251 and its separate instructions is at www.irs.gov/form6251.

► Attach to Form 1040 or Form 1040NR.

Name(s) shown on Form 1040 or Form 1040NR

Your social security number

Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41, and go to line 2. Otherwise, enter the amount from Form 1040, line 38, and go to line 7. (If less than zero, enter as a negative amount.)		
2	Medical and dental. If you or your spouse was 65 or older, enter the smaller of Schedule A (Form 1040), line 4, or 2.5% (.025) of Form 1040, line 38. If zero or less, enter -0-		
3	Taxes from Schedule A (Form 1040), line 9		
4	Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet in the instructions for this line		
5	Miscellaneous deductions from Schedule A (Form 1040), line 27.		
6	If Form 1040, line 38, is \$150,000 or less, enter -0-. Otherwise, see instructions	()
7	Tax refund from Form 1040, line 10 or line 21	()
8	Investment interest expense (difference between regular tax and AMT).		
9	Depletion (difference between regular tax and AMT)		
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount		
11	Alternative tax net operating loss deduction	()
12	Interest from specified private activity bonds exempt from the regular tax		
13	Qualified small business stock (7% of gain excluded under section 1202)		
14	Exercise of incentive stock options (excess of AMT income over regular tax income)		
15	Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)		
16	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)		
17	Disposition of property (difference between AMT and regular tax gain or loss)		
18	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)		
19	Passive activities (difference between AMT and regular tax income or loss)		
20	Loss limitations (difference between AMT and regular tax income or loss)		
21	Circulation costs (difference between regular tax and AMT)		
22	Long-term contracts (difference between AMT and regular tax income)		
23	Mining costs (difference between regular tax and AMT)		
24	Research and experimental costs (difference between regular tax and AMT)		
25	Income from certain installment sales before January 1, 1987	()
26	Intangible drilling costs preference		
27	Other adjustments, including income-based related adjustments		
28	Alternative minimum taxable income. Combine lines 1 through 27. (If married filing separately and line 28 is more than \$238,550, see instructions.)		

Part II Alternative Minimum Tax (AMT)

29	Exemption. (If you were under age 24 at the end of 2013, see instructions.) IF your filing status is ... AND line 28 is not over ... THEN enter on line 29 ... Single or head of household \$115,400 \$51,900 Married filing jointly or qualifying widow(er) 153,900 80,800 Married filing separately 76,950 40,400 If line 28 is over the amount shown above for your filing status, see instructions.		
30	Subtract line 29 from line 28. If more than zero, go to line 31. If zero or less, enter -0- here and on lines 31, 33, and 35, and go to line 34		
31	• If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter. • If you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on the back and enter the amount from line 60 here. • All others: If line 30 is \$179,500 or less (\$89,750 or less if married filing separately), multiply line 30 by 26% (.26). Otherwise, multiply line 30 by 28% (.28) and subtract \$3,590 (\$1,795 if married filing separately) from the result.		
32	Alternative minimum tax foreign tax credit (see instructions)		
33	Tentative minimum tax. Subtract line 32 from line 31		
34	Tax from Form 1040, line 44 (minus any tax from Form 4972 and any foreign tax credit from Form 1040, line 47). If you used Schedule J to figure your tax, the amount from line 44 of Form 1040 must be refigured without using Schedule J (see instructions)		
35	AMT. Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 45		

Part III Tax Computation Using Maximum Capital Gains Rates

Complete Part III only if you are required to do so by line 31 or by the Foreign Earned Income Tax Worksheet in the instructions.

36	Enter the amount from Form 6251, line 30. If you are filing Form 2555 or 2555-EZ, enter the amount from line 3 of the worksheet in the instructions for line 31				36
37	Enter the amount from line 6 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 13 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as refigured for the AMT, if necessary) (see instructions). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter	37			
38	Enter the amount from Schedule D (Form 1040), line 19 (as refigured for the AMT, if necessary) (see instructions). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter	38			
39	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 37. Otherwise, add lines 37 and 38, and enter the smaller of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter	39			
40	Enter the smaller of line 36 or line 39				40
41	Subtract line 40 from line 36				41
42	If line 41 is \$179,500 or less (\$89,750 or less if married filing separately), multiply line 41 by 26% (.26). Otherwise, multiply line 41 by 28% (.28) and subtract \$3,590 (\$1,795 if married filing separately) from the result . . . ▶				42
43	Enter: <ul style="list-style-type: none"> • \$72,500 if married filing jointly or qualifying widow(er), • \$36,250 if single or married filing separately, or • \$48,600 if head of household. 	43			
44	Enter the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 14 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter the amount from Form 1040, line 43; but do not enter less than -0-	44			
45	Subtract line 44 from line 43. If zero or less, enter -0-	45			
46	Enter the smaller of line 36 or line 37	46			
47	Enter the smaller of line 45 or line 46. This amount is taxed at 0%	47			
48	Subtract line 47 from line 46	48			
49	Enter the amount from the Line 49 Worksheet in the instructions	49			
50	Enter the smaller of line 48 or line 49	50			
51	Multiply line 50 by 15% (.15) ▶				51
52	Add lines 47 and 50	52			
If lines 52 and 36 are the same, skip lines 53 through 57 and go to line 58. Otherwise, go to line 53.					
53	Subtract line 52 from line 46	53			
54	Multiply line 53 by 20% (.20) ▶				54
If line 38 is zero or blank, skip lines 55 through 57 and go to line 58. Otherwise, go to line 55.					
55	Add lines 41, 52, and 53	55			
56	Subtract line 55 from line 36	56			
57	Multiply line 56 by 25% (.25) ▶				57
58	Add lines 42, 51, 54, and 57				58
59	If line 36 is \$179,500 or less (\$89,750 or less if married filing separately), multiply line 36 by 26% (.26). Otherwise, multiply line 36 by 28% (.28) and subtract \$3,590 (\$1,795 if married filing separately) from the result				59
60	Enter the smaller of line 58 or line 59 here and on line 31. If you are filing Form 2555 or 2555-EZ, do not enter this amount on line 31. Instead, enter it on line 4 of the worksheet in the instructions for line 31				60

U.S. Income Tax Return for Certain Political Organizations

2013

Information about Form 1120-POL and its instructions is available at www.irs.gov/form1120pol.

For calendar year 2013 or other tax year beginning _____, 2013, and ending _____, 20____
 Check the box if this is a section 501(c) organization

Check if: <input type="checkbox"/> Final return <input type="checkbox"/> Name change <input type="checkbox"/> Address change <input type="checkbox"/> Amended return	Name of organization	Employer identification number
	Number, street, and room or suite no. (if a P.O. box, see instructions.)	Candidates for U.S. Congress Only If this is a principal campaign committee, and it is the ONLY political committee, check here <input type="checkbox"/>
	City or town, state or province, country, and ZIP or foreign postal code	If this is a principal campaign committee, but is NOT the only political committee, check here and attach a copy of designation (see instructions.) <input type="checkbox"/>

Income	1	Dividends (attach statement)	1	
	2	Interest	2	
	3	Gross rents	3	
	4	Gross royalties	4	
	5	Capital gain net income (attach Form 8949 and Schedule D (Form 1120))	5	
	6	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	
	7	Other income and nonexempt function expenditures (see instructions)	7	
	8	Total income. Add lines 1 through 7	8	
Deductions	9	Salaries and wages	9	
	10	Repairs and maintenance	10	
	11	Rents	11	
	12	Taxes and licenses	12	
	13	Interest	13	
	14	Depreciation (attach Form 4562)	14	
	15	Other deductions (attach statement)	15	
	16	Total deductions. Add lines 9 through 15	16	
	17	Taxable income before specific deduction of \$100 (see instructions). Section 501(c) organizations show: a Amount of net investment income		
	17c	b Aggregate amount expended for an exempt function (attach statement)	17c	
18	Specific deduction of \$100 (not allowed for newsletter funds defined under section 527(g))	18		
Tax	19	Taxable income. Subtract line 18 from line 17c. (If line 19 is zero or less, see the instructions.)	19	
	20	Income tax. (see instructions)	20	
	21	Tax credits. (Attach the applicable credit forms.) (see instructions)	21	
	22	Total tax. Subtract line 21 from line 20	22	
	23	Payments: a Tax deposited with Form 7004	23a	
		b Credit for tax paid on undistributed capital gains (attach Form 2439)	23b	
		c Credit for federal tax on fuels (attach Form 4136)	23c	
		d Total payments. Add lines 23a through 23c	23d	
24	Tax due. Subtract line 23d from line 22. See instructions for depository method of payment	24		
25	Overpayment. Subtract line 22 from line 23d	25		

Additional Information	1	At any time during the 2013 calendar year, did the organization have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? (see instructions)	<input type="checkbox"/> Yes <input type="checkbox"/> No	
		If "Yes," enter the name of the foreign country	_____	
	2	During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the organization may have to file Form 3520	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	3	Enter the amount of tax-exempt interest received or accrued during the tax year	\$ _____	
	4	Date organization formed	_____	
	5a The books are in care of	_____	b Enter name of candidate	_____
	c The books are located at	_____	d Telephone No.	_____

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer	Date	Title	May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No
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Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name				Firm's EIN
	Firm's address				Phone no.

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form 1120-POL and its instructions, such as legislation enacted after this form and instructions were published, go to www.irs.gov/form1120pol.

General Instructions

Purpose of Form

Political organizations and certain exempt organizations file Form 1120-POL to report their political organization taxable income and income tax liability under section 527.

Phone Help

If you have questions and/or need help completing Form 1120-POL, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Who Must File

A political organization, whether or not it is tax-exempt, must file Form 1120-POL if it has any political organization taxable income.

An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

Political Organizations

A political organization is a party, committee, association, fund (including a separate segregated fund described in section 527(f)(3) set up by a section 501(c) organization), or other organization, organized and operated primarily for the purpose of accepting contributions or making expenditures, or both, to influence the selection, nomination, election, or appointment of any individual to any public office or office in a political organization, or the election of Presidential or Vice Presidential electors. Political organizations include a:

1. Principal campaign committee, if it is the political committee designated by a candidate for U.S. Congress as his or her principal campaign committee for purposes of section 302(e) of the Federal Election Campaign Act of 1971 and section 527(h).

If a candidate for U.S. Congress elects to make a designation under section 527(h), he or she must designate the principal campaign committee by attaching a copy of the Statement of Candidacy to Form 1120-POL. This can be either the Federal Election Commission's Form 2 or an equivalent

statement filed with the Federal Election Commission. The designation may also be made by attaching a signed statement with all of the following information.

- The candidate's name and address,
- The candidate's identifying number,
- The candidate's party affiliation and office sought,
- The district and state in which the office is sought, and
- The name and address of the principal campaign committee.

Note. If the candidate for U.S. Congress has a designation in effect from an earlier year, attach a copy of the earlier year's designation to this year's Form 1120-POL and check the appropriate box on the form. See Regulations section 1.527-9. If a candidate for U.S. Congress has only one political campaign committee, no designation is required. However, be sure to check the appropriate box on Form 1120-POL.

2. Newsletter fund, if it is a fund established and maintained by an individual who holds, has been elected to, or is a candidate (as defined in section 527(g)(3)) for nomination or election to any federal, state, or local elective public office. The fund must be maintained exclusively for the preparation and circulation of the individual's newsletter.

3. Separate segregated fund, if it is maintained by a section 501(c) organization (exempt from tax under section 501(a)). For more information, see section 527(f)(3) and Regulations section 1.527-6(f).

Taxable Income

Political organization taxable income (line 19) is the excess of (a) gross income for the tax year (excluding exempt function income (defined later)) over (b) deductions directly connected with the earning of gross income (excluding exempt function income). Taxable income is figured with the following adjustments.

1. A specific deduction of \$100 is allowed (but not for newsletter funds),
2. The net operating loss deduction is not allowed, and
3. The dividends-received deduction and other special deductions for corporations are not allowed. See section 527(c)(2)(C).

Effect of failure to file Form 8871. Unless excepted (see *Other Reports and Returns That May Be Required*), every political organization, in order to be considered a tax-exempt organization, must file Form 8871, Political Organization Notice of Section 527 Status. An

organization that is required to file Form 8871, but fails to file it when due, must include in taxable income for the period before Form 8871 is filed, its exempt function income (including contributions received, membership dues, and political fundraising receipts), minus any deductions directly connected with the production of that income. The organization may not deduct its exempt function expenditures because section 162(e) denies a deduction for political campaign expenditures.

Exempt Function and Exempt Function Income

The exempt function of a political organization includes all activities that are related to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any federal, state, or local public office, or office of a political organization, or the election of Presidential or Vice Presidential electors, whether or not the individuals or electors are selected, nominated, elected, or appointed. The term "exempt function" also means the making of expenditures relating to the individual's office, once selected, nominated, elected, or appointed, but only if the expenditures would be deductible by an individual under section 162(a).

Exempt function income is the total of all amounts received from the following sources (to the extent that they are separately segregated only for use for an exempt function):

- Contributions of money and property;
- Membership dues, fees, or assessments paid by a member of a political party;
- Proceeds from a political fundraising or entertainment event, or from the sale of political campaign materials, if those amounts are not received in the active conduct of a trade or business; and
- Proceeds from the conduct of a bingo game, as described in section 513(f)(2).

Specified Taxable Income

Newsletter fund. Taxable income of a newsletter fund is figured in the same manner as taxable income of a political organization except that the specific deduction of \$100 is not allowed.

Exempt organization that is not a political organization. Taxable income for an exempt organization described in section 501(c) that is not a political organization is the smaller of:

1. The net investment income of the organization for the tax year, or
2. The amount spent for an exempt function during the tax year either directly or indirectly through another organization.

Net investment income, for this purpose, is the excess of:

1. The gross amount of interest, dividends, rents, and royalties, plus the excess, if any, of gains from the sale or exchange of assets, over the losses from the sale or exchange of assets, over
2. The deductions directly connected with the production of this income.

Taxable income is figured with the adjustments shown in 1, 2, and 3 under *Taxable Income*, earlier.

Who Must Sign

The return must be signed and dated by:

- The president, vice president, treasurer, assistant treasurer, chief accounting officer, or
- Any other officer (such as tax officer) authorized to sign.

Receivers, trustees, and assignees must also sign and date any return filed on behalf of an organization.

If an employee of the organization completes Form 1120-POL, the *Paid Preparer Use Only* area should remain blank. In addition, anyone who prepares Form 1120-POL but does not charge the organization should not complete that section. Generally, anyone who is paid to prepare the return must sign it and fill in the *Paid Preparer Use Only* area.

The paid preparer must complete the required preparer information and:

- Sign the return in the space provided for the preparer's signature.
- Give a copy of the return to the taxpayer.

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program. Also, facsimile signatures are authorized.

Paid Preparer Authorization

If the organization wants to allow the IRS to discuss its 2013 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer Use Only* section of the return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the organization is authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of its return. The organization is also authorizing the paid preparer to:

- Give the IRS any information that is missing from its return,
- Call the IRS for information about the processing of its return or the status of any refund or payment(s), and

- Respond to certain IRS notices that the organization may have shared with the preparer about math errors, offsets, and return preparation. The notices will not be sent to the preparer.

The organization is not authorizing the paid preparer to receive any refund check, bind the organization to anything (including any additional tax liability), or otherwise represent it before the IRS. If the organization wants to expand the paid preparer's authorization, see Pub. 947, *Practice Before the IRS and Power of Attorney*.

However, the authorization will automatically end no later than the due date (excluding extensions) for filing the 2014 tax return. If you want to revoke the authorization before it ends, see Pub. 947.

When and Where To File

In general, an organization must file Form 1120-POL by the 15th day of the 3rd month after the end of the tax year.

If the due date falls on a Saturday, Sunday, or legal holiday, the organization may file on the next business day.

File Form 1120-POL with the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201

If the organization's principal business, office or agency is located in a foreign country or a U.S. possession, the address for mailing their return should be:

Internal Revenue Service Center
P.O. Box 409101
Ogden, UT 84409

Private delivery services. In addition to the United States mail, the organization can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/payment" rule for tax returns and payments. These private delivery services include only the following.

- DHL Express (DHL); DHL Same Day Service;
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First; and
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

For the IRS mailing address to use if you are using a private delivery service, go to IRS.gov and enter "private delivery service" in the search box.



Private delivery services cannot deliver items to P.O. Boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box.

Overnight deliveries should be mailed to:

Internal Revenue Service
1973 Rulon White Blvd.
Ogden, UT 84404

Extension. File Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, to request a 6-month extension of time to file.

Other Reports and Returns That May Be Required

An organization that files Form 1120-POL may also be required to file the following forms.

1. Form 8871, Political Organization Notice of Section 527 Status.

Generally, to be tax-exempt, a political organization must file this form within 24 hours of the date it is established and within 30 days of any material change in the organization. However, do not file this form if the organization is:

- An organization that reasonably expects its annual gross receipts to always be less than \$25,000,
- A political committee required to report under the Federal Election Campaign Act of 1971 (2 U.S.C. 431 et seq.),
- A political committee of a state or local candidate,
- A state or local committee of a political party, or
- A tax-exempt organization described in section 501(c) that is treated as having political organization taxable income under section 527(f)(1).

2. Form 8872, Political Organization Report of Contributions and Expenditures (periodic reports are required during the calendar year).

Generally, a political organization that files Form 8871 and accepts a contribution or makes an expenditure for an exempt function during the calendar year must file this form. However, this form is not required to be filed by an organization excepted from filing Form 8871 (see above), or a qualified state or local political organization (QSLPO) (see the Instructions for Form 8871 and Rev. Rul. 2003-49, 2003-20 I.R.B. 903, for the definition of a QSLPO).

3. Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt From Income Tax.

An exempt political organization must also file one of these forms if its annual gross receipts are \$25,000 or more (\$100,000 or more for a QSLPO).

The following political organizations are not required to file Form 990.

- Any political organization excepted from the requirement to file Form 8871, and
- Any caucus or association of state or local officials.

See the instructions for Form 990 or Form 990-EZ.

Accounting Methods

Figure taxable income using the method of accounting regularly used in keeping the organization's books and records. Generally, permissible methods include:

- Cash,
- Accrual, or
- Any other method authorized by the Internal Revenue Code.

In all cases, the method used must clearly show taxable income.

Change in accounting method.

Generally, the organization may only change the method of accounting used to report taxable income (for income as a whole or for any material item) by getting consent on Form 3115, Application for Change in Accounting Method. For more information, see Pub. 538, Accounting Periods and Methods.

Accounting Period

The organization must figure its taxable income on the basis of a tax year. The tax year is the annual accounting period the organization uses to keep its records and report its income and expenses if that period is a calendar year or a fiscal year. However, an organization that does not keep books or does not have an annual accounting period must use the calendar year as its tax year. A new organization must adopt its tax year by the due date (not including extensions) of its first income tax return.

Change of tax year. After the organization has adopted a tax year, it must get the consent of the IRS to change its tax year by filing Form 1128, Application To Adopt, Change, or Retain a Tax Year. See Regulations section 1.442-1 and Pub. 538.

Rounding Off to Whole Dollars

The organization may round off cents to whole dollars on the return and accompanying schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Federal Tax Deposits Must be Made by Electronic Funds Transfer

You must use electronic funds transfer to make all federal deposits (such as deposits of estimated tax, employment tax, and excise tax). Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). If you do not want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make deposits on your behalf. Also you may arrange for your financial institution to initiate a same day wire payment on your behalf. EFTPS is a free service provided by the Department of Treasury. Services provided by your tax professional, financial institution, payroll services, or other third party may have a fee. To get more information about EFTPS or to enroll in EFTPS, visit www.eftps.gov or call 1-800-555-4477. Additional information about EFTPS is available in Publication 966, Electronic Federal Tax Payment System A Guide To Getting Started.

Depositing on time. For deposits made by EFTPS to be on time, you must initiate the deposit by 8 p.m. Eastern time the day before the date the deposit is due. If you use a third party to make deposits on its behalf, they may have different cutoff times.

Same-Day payment option. If you fail to initiate a deposit transaction on EFTPS by 8 p.m. Eastern time the day before the date a deposit is due, you can still make the deposit on time by using the Federal Tax Application (FTA). Before using the same-day payment option, you will need to make arrangements with your financial institution ahead of time. Please check with the financial institution regarding availability, deadlines, and costs. To learn more about making a same-day payment and download the Same-Day Payment Worksheet, visit www.eftps.gov.

Deposits on business days only. If a deposit is required to be made on a day that is not a business day, the deposit is considered timely if it is made by the close of the next business day. A business day is any day other than Saturday, Sunday, or legal holiday. For example, if a deposit is required to be made on a Friday and Friday is a legal holiday, the deposit will be considered timely if it is made by the following Monday (if that Monday is a business day). The term "legal holiday" means any legal holiday in the District of Columbia.



If the organization owes tax when it files Form 1120-POL, do not include the payment with the tax return. Instead, use EFTPS.

Interest and Penalties

Interest

Interest is charged on taxes paid late even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, gross valuation overstatements, and substantial understatement of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Penalties

Penalties may be imposed if the organization is required to file Form 1120-POL and it fails to file the form by the due date. The following penalties may apply if the organization does not file its tax return by the due date, including extensions.

Late filing of return. The organization may be charged a penalty of 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is more than 60 days late is the smaller of the tax due or \$135. If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Do not include an explanation when you file your return.

Late payment of tax. An organization that does not pay the tax when due generally may have to pay a penalty of $\frac{1}{2}$ of 1% of the unpaid tax for each month or part of a month the tax is not paid, up to a maximum of 25% of the unpaid tax. If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Do not include an explanation when you file your return.

Other penalties. Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. See sections 6662 and 6663.

Assembling the Return

Attach Form 4136, Credit for Federal Tax Paid on Fuels, after page 1 of Form 1120-POL. Attach schedules in alphabetical order and other forms in numerical order after Form 4136.

Complete every applicable entry space on Form 1120-POL. Do not write "See attached" instead of completing the entry spaces. If you need more space on the forms or schedules, attach separate sheets using the same size and format as on the printed forms. Show the totals on the printed forms. Attach these separate sheets after all the schedules and forms. Be sure to put the organization's name and EIN on each sheet.

Specific Instructions

Period covered. File the 2013 return for calendar year 2013 and fiscal years that begin in 2013 and end in 2014. For a fiscal year, fill in the tax year space at the top of the form.

Note. The 2013 Form 1120-POL may also be used if:

- The organization has a tax year of less than 12 months that begins and ends in 2014, and
- The 2014 Form 1120-POL is not available at the time the organization is required to file its return. The organization must show its 2014 tax year on the 2013 Form 1120-POL and take into account any tax law changes that are effective for tax years beginning after December 31, 2013.

Address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

Final return, name change, address change, amended return. If the organization ceases to exist, check the "Final return" box.

If the organization has changed its name since it last filed a return, check the "Name change" box.

If the organization has changed its address since it last filed a return, check the "Address change" box.

Note. If a change in address occurs after the return is filed, the organization should use Form 8822-B, Change of Address—Business, to notify the IRS of the new address.

Amended return. If you are filing an amended Form 1120-POL:

- Check the "Amended return" box,
- Complete the entire return,
- Correct the appropriate lines with the new information, and
- Refigure the tax liability.

Attach a sheet that explains the reason for the amendments and identifies the lines and amounts being changed on the amended return. Generally, the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever is later.

Employer identification number (EIN). Enter the nine-digit EIN assigned to the organization. If the organization does not have an EIN, it must apply for one. An EIN can be applied for:

- Online by clicking the *Employer ID Numbers (EINs)* link at www.irs.gov/businesses/small. The EIN is issued immediately once the application information is validated.
- By telephone at 1-800-829-4933.

The online application process is not yet available for organizations with addresses in foreign countries.

If the organization has not received its EIN by the time the return is due, write "Applied for" in the space provided for the EIN. See Pub. 583 for details.

Income and deductions. Campaign contributions and other exempt function income are generally not includible in income; likewise, campaign expenditures and other exempt function expenditures are not deductible. To be deductible in computing political organization taxable income, expenses must be directly connected with the production of political organization taxable income. In those cases where expenses are attributable to the production of both exempt function income and political organization taxable income, the expenses should be allocated on a reasonable and consistent basis. Only the portion allocable to the production of political organization taxable income may be deducted. No deduction is allowed for general administrative or indirect expenses.

Line 7. Other income and nonexempt function expenditures. Enter the income from other sources, such as:

- Exempt function income that was not properly segregated for exempt functions.
- Income received in the ordinary course of a trade or business.
- Ordinary income from the trade or business activities of a partnership (from Schedule K-1 (Form 1065), Part III, box 1).
- Exempt function income (minus any deductions directly connected with the production of that income) taxable under section 527(i)(4) for failure to timely file Form 8871, Political Organization Notice of Section 527 Status. Include amounts whether or not segregated for use for an exempt function.

Also include on this line:

- Expenditures that were made from exempt function income that were not for an exempt function and resulted in direct or indirect financial benefit to the political organization (see Regulations section 1.527-5 for examples) and
- Illegal expenditures.

Attach a schedule listing all income and expenditures included on line 7.

Line 17. Taxable income before specific deduction of \$100. Political organizations, newsletter funds, and separate segregated funds compute their tax by subtracting line 16 from line 8 and enter the result on line 17(c).

Exempt organizations (section 501(c)) that are not political organizations. Complete lines 17a and 17b if the organization made exempt function expenditures that were not from a separate segregated fund. Enter on line 17c the smaller of line 17a or 17b. See *Exempt organization that is not a political organization*, earlier, for an explanation of the amounts to enter on these lines.

Line 19. Taxable income. If the taxable income on line 19 is zero or less, the Form 1120-POL is not required to be filed, but it may be filed to start the statute of limitations period.

Line 20. Income tax. The rate of tax imposed depends on whether the political organization is a principal campaign committee as defined in section 527(h). The tax rate is lower for a principal campaign committee.

Political organization not a principal campaign committee. An organization that is not a principal campaign committee computes its tax by multiplying line 19 by 35% and enters the result on line 20.

Principal campaign committee (section 527(h)). A political organization that is a principal campaign committee of a candidate for U.S. Congress computes its tax in the same manner as provided in section 11(b) for corporations. Compute the tax as follows:

1. Enter taxable income (line 19, Form 1120-POL) _____
2. Enter line 1 or \$50,000, whichever is less _____
3. Subtract line 2 from line 1 _____
4. Enter line 3 or \$25,000, whichever is less _____
5. Subtract line 4 from line 3 _____
6. Enter line 5 or \$9,925,000, whichever is less _____
7. Subtract line 6 from line 5 _____
8. Multiply line 2 by 15% _____
9. Multiply line 4 by 25% _____
10. Multiply line 6 by 34% _____
11. Multiply line 7 by 35% _____
12. If line 1 is greater than \$100,000, enter the smaller of: 5% of taxable income in excess of \$100,000, or \$11,750 _____
13. If line 1 is greater than \$15 million, enter the smaller of: 3% of taxable income in excess of \$15 million or \$100,000 _____
14. Add lines 8 through 13. Enter here and on line 20, Form 1120-POL _____

Note. Estimated tax and alternative minimum tax do not apply to political organizations.

Line 21. Tax credits. The organization may qualify for the following credits:

- **Foreign tax credit.** See Form 1118, Foreign Tax Credit—Corporations.
- **Qualified electric vehicle credit.** See Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit, and section 30.
- **General business credit** (excluding the small employer health insurance premium credit, and the work opportunity credit). See Form 3800, General Business Credit.

Enter the total amount of qualified credits on line 21 and attach the applicable credit forms.

Line 22. Total tax. If the political organization must recapture any of the qualified electric vehicle credit, include the amount of the recapture in the total for line 22. On the dotted line next to the entry space, write "QEV recapture" and the amount. See Regulations section 1.30-1 for details on how to figure the recapture.

Additional Information

Question 1

Foreign financial accounts. Check the "Yes" box if either 1 or 2 below applies to the organization. Otherwise, check the "No" box.

1. At any time during the 2013 calendar year the organization had a financial interest in or signature or other authority over a bank, securities, or other types of financial accounts in a foreign country;
 - The combined value of the accounts was more than \$10,000 at any time during the calendar year; and
 - The account was not with a U.S. military banking facility operated by a U.S. financial institution.
2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

See FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), (formerly TD F 90-22.1), to find out if the organization is considered to have an interest in or signature or other authority over a financial account in a foreign country.

If "Yes" is checked for this question, file FinCEN Form 114 electronically by June 30, 2014, with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 is not a tax form, do not file it with Form 1120-POL.

See www.fincen.gov for more information.

Also, if "Yes" is checked for this question, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Question 2

If you checked "Yes" to Question 2, the organization may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. For details, see Form 3520.

Note. An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner. For details, see the Instructions for Form 3520-A.

Question 3

In the space provided, show any tax-exempt interest income received or accrued. Include any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 17 hr., 13 min.
- Learning about the law or the form** 5 hr., 15 min.
- Preparing the form** 12 hr., 17 min.
- Copying, assembling, and sending the form to the IRS** 1 hr., 52 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send your comments to:

Internal Revenue Service
Tax Forms and Publications Division
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Do not send the tax form to this address. See *When and Where To File* earlier.



Form 3M
Income Tax Return for Clubs and Other
Organizations not Engaged in Business for Profit
 (Organizations whose gross income is \$100 or less are not required to file a return)

2013
Massachusetts
Department of
Revenue

For calendar year 2013 or taxable year beginning _____, 2013 and ending _____	
Name of organization _____	Federal identification number _____
Street address _____	City or town _____ State _____ Zip _____
Date of organization _____	If using the whole-dollar method, <input type="checkbox"/> check box <input type="checkbox"/>
Organization's books are in care of _____	Principal organization activity _____
Street address _____	City or town _____ State _____ Zip _____

Has the federal government changed your taxable income for any prior year which you have not yet reported to Massachusetts? Yes No. If "Yes," complete a new Form 3M for that year and mark "Amended" across the top of the form. This must be done within one year after final U.S. determination.

Computation of Tax

1 5.25% income, including interest from Mass. banks.* List sources and amounts _____	▶ 1	
2 Interest and dividend income (from Massachusetts Schedule B, line 28) _____	▶ 2	
3 Total 5.25% income. Add line 1 and line 2 _____	▶ 3	
4 Tax on 5.25% income. Multiply line 3 by .0525 _____	▶ 4	
5 Taxable 12% capital gains (from Massachusetts Schedule B, line 29) _____	▶ 5	
6 Tax on 12% capital gains. Multiply line 5 by .12 _____	▶ 6	
7 Tax on long-term capital gains (from Massachusetts Schedule D, line 17; not less than "0") _____	▶ 7	
8 Additional tax on installment sales _____	▶ 8	
9 Total tax. Add lines 4, 6, 7 and 8 _____	▶ 9	
10 2012 overpayment applied to your 2013 estimated tax _____	▶ 10	
11 2013 Massachusetts estimated tax payments (do not include amount in line 10) _____	▶ 11	
12 Payments made with extension _____	▶ 12	
13 Total payments. Add lines 10 through 12 _____	▶ 13	
14 Overpayment. If line 9 is smaller than line 13, subtract line 9 from line 13 _____	▶ 14	
15 Amount of overpayment to be credited to your 2014 estimated tax _____	▶ 15	
16 Amount of your refund. Subtract line 15 from line 14 _____	▶ 16	
17 Amount of tax due. If line 13 is smaller than line 9, subtract line 13 from line 9 _____	▶ 17	
18 M-2210 penalty ▶ \$ _____; Late file/pay penalties* ▶ \$ _____ Total penalty ..	▶ 18	
19 Interest on unpaid balance* _____	▶ 19	
20 Total payment due at time of filing. Add lines 17 through 19 _____	▶ 20	

Make check payable to: Commonwealth of Massachusetts.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he/she has any knowledge.

STAPLE CHECK HERE	Your signature _____	Date _____	Paid preparer's signature _____	Date _____
	Title _____			
	Firm name _____	PTIN or SSN _____		
Street address _____		City/Town _____	State _____	Zip _____

This return is due on or before the fifteenth day of the fourth month after the close of the taxable year, calendar or fiscal. Make check or money order payable to Commonwealth of Massachusetts. Mail return, together with payment in full, to: Massachusetts Department of Revenue, PO Box 7018, Boston, MA 02204.

*See Form 1 instructions.

Schedule B. Interest, Dividends and Certain Capital Gains and Losses

1	Enter taxable interest (other than interest from Massachusetts banks) received during the year	1	
2	Enter taxable dividends received during the year	2	
3	Add lines 1 and 2.	3	
4	Enter taxable interest (other than interest from Massachusetts banks) and dividends from all partnerships and non-Massachusetts estates and trusts	4	
5	Subtotal. Add lines 3 and 4. If you have no short-term capital gains or losses, long-term gains on collectibles and pre-1996 installment sales, carryover short-term losses from prior years, or net long-term capital losses, omit lines 6 through 27. Enter this amount in line 28 and on Form 3M, line 2. Omit lines 29 and 30. Otherwise complete Schedule B.	5	
6	Short-term capital gains (included in U.S. Schedule D, lines 1 through 5, col. h)	6	
7	Long-term capital gains on collectibles and pre-1996 installment sales (from Massachusetts Schedule D, line 11)*	7	
8	Add lines 6 and 7.	8	
9	Short-term capital losses (included in U.S. Schedule D, lines 1 through 5, col. h)	9	
10	Prior short-term losses for years beginning after 1981 (from 2012 Massachusetts Schedule B, line 30).	10	
11	Combine lines 8 through 10. If "0" or greater, omit lines 12 through 15 and enter this amount in line 16. If the total is a loss, go to line 12	11	
12	Short-term losses applied against interest and dividends. Enter the smaller of line 5 or line 11 (as a positive amount). Not more than \$2,000	12	
13	Subtotal. Combine lines 11 and 12.	13	
14	Short-term capital losses applied against long-term capital gains (see instructions)	14	
15	Short-term losses available for carryover in 2014. Combine lines 13 and 14 and enter result here and in line 30, omit lines 16 through 20 and complete lines 21 through 29.	15	
16	Short-term gains and long-term gains on collectibles. Enter amount from line 11.	16	
17	Long-term capital losses applied against short-term capital gains (see instructions).	17	
18	Subtotal. Subtract line 17 from line 16. Enter result here. If line 18 is "0," omit line 19, and enter "0" in line 20.	18	
19	Long-term gains deduction. Complete only if lines 7 and 18 are greater than "0." If line 7 shows a gain, enter 50% of line 7 minus 50% of losses in lines 9, 10 and 17, but not less than "0"	19	
20	Short-term gains after long-term gains deduction. Subtract line 19 from line 18.	20	
21	Enter the amount from line 5.	21	
22	Short-term losses applied against interest and dividends. Enter the amount from line 12.	22	
23	Subtotal. Subtract line 22 from line 21	23	
24	Long-term losses applied against interest and dividends (see instructions)	24	
25	Adjusted interest and dividends. Subtract line 24 from line 23	25	
26	Enter the amount from line 20.	26	
27	Adjusted gross interest, dividends and certain capital gains and losses. Add lines 25 and 26. Not less than "0"	27	
28	If line 27 is greater than or equal to line 5, enter the amount from line 5 here and on Form 3M, line 2. If line 27 is less than line 5, enter line 27 here and on Form 3M, line 2.	28	
29	Taxable 12% capital gains. Subtract line 28 from line 27. Not less than "0." Enter result here and on Form 3M, line 5.	29	
30	Available short-term losses for carryover in 2014. Enter amount from line 15 only if it is a loss.	30	

*See Form 1 instructions.

Schedule D. Long-Term Capital Gains and Losses Excluding Collectibles

Attach copy of U.S. Schedule D.

1 Enter amounts included in U.S. Schedule D, line 8, col. h	1	
2 Enter amounts included in U.S. Schedule D, line 9, col. h	2	
3 Enter amounts included in U.S. Schedule D, line 10, col. h	3	
4 Enter amounts included in U.S. Schedule D, line 11, col. h	4	
5 Enter amounts included in U.S. Schedule D, line 12, col. h	5	
6 Enter amounts included in U.S. Schedule D, line 13, col. h	6	
7 Carryover losses from prior years (see instructions)	7	
8 Combine lines 1 through 7	8	
9 Massachusetts differences, if any* (attach additional statement).	9	
10 Massachusetts 2013 gains or losses. Exclude/subtract line 9 from line 8.	10	
11 Long-term gains on collectibles and pre-1996 installment sales.* Also, enter this amount in Schedule B, line 7	11	
12 Subtotal. Subtract line 11 from line 10	12	
13 Capital losses applied against capital gains (see instructions)	13	
14 Subtotal. If line 12 is greater than "0," subtract line 13 from line 12. If line 12 is less than "0," combine lines 12 and 13. If line 14 is a loss, see instructions	14	
15 Long-term capital losses applied against interest and dividends (see instructions)	15	
16 Taxable long-term capital gains. Combine lines 14 and 15	16	
17 Tax on long-term capital gains. Multiply line 16 by .0525. Not less than "0." Enter result here and on Form 3M, line 7	17	
18 Available losses for carryover in 2014. Enter amount from Schedule D, line 16, only if it is a loss	18	

*See Form 1 instructions.

DRAFT AS OF
 SEPTEMBER 25, 2013
 (SUBJECT TO CHANGE)

Form 3M Instructions

This form is solely for the use of clubs, labor unions, political committees, taxable fraternal organizations, certain unincorporated homeowners associations and all other similar organizations not engaged in business for profit, and consequently having only taxable dividends, interest, capital gains, Massachusetts savings deposit interest and other miscellaneous income. If such an organization has taxable business or other income, even if the organization is not a partnership, the return should be made on Form 3, Partnership Return of Income, and each member must include his/her share by class of income on his/her individual income tax return. Unincorporated exempt organizations that file U.S. Forms 990 or 990-T should not file Massachusetts Form 3M or Form 3. Instead, those organizations that file U.S. Form 990-T and have unrelated business taxable income should file Massachusetts Form 990-T-62. For rules that apply to unincorporated homeowners associations, see Technical Information Release 10-3.

Schedule B, Line 14 and Schedule D, Line 13. If Schedule B, line 13 is a loss and Schedule D, line 12 is a positive amount, enter the smaller of Schedule B, line 13 (considered as a positive amount) or Schedule D, line 12 on Schedule B, line 14 and on Schedule D, line 13.

Schedule B, Line 17 and Schedule D, Line 13. If Schedule B, line 16 is a positive amount and Schedule D, line 12 is a loss, enter the smaller of Schedule B, line 16 or Schedule D, line 12 (considered as a positive amount) on Schedule B, line 17 and on Schedule D, line 13.

Schedule B, Line 24 and Schedule D, Line 15. If Schedule B, line 23 is a positive amount and Schedule D, line 14 is a loss, you must complete a pro forma version of the Long-Term Capital Losses Applied Against Interest and Dividends Worksheet found in the Form 1 instruction booklet. When completing the worksheet, substitute Schedule B, line 21 (Form 3M) for Schedule B, line 29 (Form 1); Schedule B, line 22 (3M) for Schedule B, line 30 (Form 1); Schedule D, line 14 (Form 3M) for Schedule D, line 15 (Form 1); Schedule B, line 24 (3M) for Schedule B, line 32 (Form 1); and Schedule D, line 15 (3M) for Schedule D, line 16 (Form 1).

Schedule D, Line 7. If you have a carryover loss from a prior year, enter in line 7 the amount of carryover losses from your 2010 Schedule D, line 17.

Schedule D, Line 14. If Schedule D, line 14 is a loss and Schedule B, line 16 is "0" or greater and Schedule B, line 23 is a positive amount, complete line 15. If Schedule D, line 14 is a loss and Schedule B, line 13 is "0" or less, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16, omit Schedule D, line 17 and enter the amount from Schedule D, line 16 in Schedule D, line 18 and enter "0" on Form 3M, line 7.

Where to file. Mail Form 3M and all accompanying schedules to: Massachusetts Department of Revenue, PO Box 7018, Boston, MA 02204.

AS OF
SEPTEMBER 25, 2013
SUBJECT TO CHANGE