

# Wage and Salary Deduction

Complete and attach to Form 1040CM or Form 1040NR-CM

**2023**

## PART A Primary taxpayer information

Name as shown on tax return.	Social security number
Description of deduction	\$ Amount of deduction
1 _____	_____
2 _____	_____
3 _____	_____
4 _____	_____
5 _____	_____
6 _____	_____
If space is needed use a blank sheet to enter the information and attach to this document	<b>TOTAL</b> ▶ <input style="width: 100px; height: 20px;" type="text"/>

## PART B Spouse information if a joint return

Name as shown on tax return.	Spouse's Social security number
Description of deduction	\$ Amount of deduction
1 _____	_____
2 _____	_____
3 _____	_____
4 _____	_____
5 _____	_____
6 _____	_____
If space is needed use a blank sheet to enter the information and attach to this document	<b>TOTAL</b> ▶ <input style="width: 100px; height: 20px;" type="text"/>

Use space below for additional explanation

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Use the 1040CM Schedule WSD to claim deductions that were included as Wages and Salaries in Box 16 of your W-2CM or to report amounts that were already excluded from CNMI Wages and Salaries provided in Box 16 of your W-2CM.

If you are claiming a deduction from Wages and Salaries on Line 4 of the Form 1040NMI, you must provide details relating to these deductions on the 1040CM Schedule WSD. Ensure that the amounts for which you are claiming a deduction were included in the CNMI Wages and Salaries provided in Box 16 of the W-2CM. If these amounts were already excluded from CNMI Wages and Salaries in Box 16 of the W-2CM, it may result in underreporting of Taxable CNMI Wages and Salaries and possible imposition of penalties and interest for the underreporting of taxable income and underpayment of taxes.

Where the deductible amounts were already excluded from the CNMI Wages and Salaries provided in Box 16 of the W-2CM, you must still report the amount already deducted on a 1040CM Schedule WSD for informational purposes. You and are not entitled to deduct these amounts on Line 4 of the Form 1040NMI or in calculating your Taxable CNMI Wages and Salaries on Line 5 of Part A of the 1040NMI.

Allowable deductions from Wages and Salaries, pursuant to 4 CMC §1103(dd)(1)–(7), are as follows:

- (1) Wages and salaries received from the United States by active members of the Armed Forces of the United States;
- (2) Reasonable per diem and travel allowances to the extent that they do not exceed any comparable Commonwealth Government rates;
- (3) Rental value of a home furnished to any employee or a reasonable rental allowance

paid to any employee to the extent the allowance is used by the employee to rent or provide a home;

(4) Any payment of medical or hospitalization expenses or insurance premium paid by an employer or insurance company to or on behalf of an employee or insured;

(5) Payments from the CNMI Retirement program or a qualifying retirement plan.

(6) Payments in the form of a scholarship, fellowship, grant, stipend or the like made to any student while he is a full-time, bona fide student at an educational institution as defined by § 170(b)(1)(A)(ii) of the NMTIT (provided, however, that if the payment is made for services rendered, the student must receive college credit(s) for the performance of the services and the services must further the student's education, curriculum, or course of study); and

(7) Any benefit payment from the United States, Trust Territory, or Northern Marianas Social Security Administration.

**Part A. Primary taxpayer information. In Part B, be sure to include spouse information if filing jointly.**

Enter name as shown on tax return, the social security number, and the description of the deduction. Enter the deductions separately, and identify the applicable exemption. Use the space provided on the bottom to include an explanation for each deduction.

#### **How to report allowable deductions**

##### **Example 1:**

Housing allowance: If a housing allowance is included in your total wages and salary in box 16 of the Form W-2CM, then you are permitted to take a deduction to the extent of the qualifying housing or rental payments actually made. If, however, Box 16 of the W2-CM did not include qualifying rental payments in your CNMI Wages

and Salaries, you are not entitled to the deduction.

**Example 2:**

Taxpayer A is issued a Form W-2CM. Box 16 of Form W-2CM is \$25,000. Box 14 of Form W-2CM is \$1,200. The rental contract is for \$300 per month, beginning September 2023 and ending in December 2023.

Income reported in Box 16 of W-2CM: \$25,000  
Housing Allowance reported in Box 14 of W-2CM: \$1,200  
Deduction reported on Line 4 of the Form 1040NMI: \$1,200

Total Taxable CNMI Wages and Salaries reported on line 5 of the 1040NMI: \$23,800

**Example 3:**

Taxpayer B is issued a Form W-2CM. Box 16 of Form W-2CM is \$55,000. Box 14 of Form W-2CM is \$10,000.

Taxpayer B shares a home with a co-worker for twelve months. The contract for the rental is \$10,000. Her share of the rental is \$500 per month. Taxpayer B can deduct 6,000, her annual share of the rent.

**Example 4:**

Taxpayer C receives total compensation from an employer in the amount of \$50,000. \$40,000 is cash compensation and \$10,000 is for qualifying rental payments. Taxpayer C is issued a Form W-2CM. Box 16 of Form W-2CM is \$40,000, because the employer already excluded the \$10,000 rental allowance. Taxpayer must report the \$10,000 rental allowance on the 1040CM Schedule WSD but is not entitled to a deduction on Line 4 of the Form 1040NMI or in calculating your Taxable CNMI Wages and Salaries on Line 5 of Part A of the 1040NMI.

**Wage and Salary Deduction. PART A Primary taxpayer Information**

Enter the amount from line 7, on line 4, Part A, column A, of Form NMI-A (Form 1040CM), or

line 4, Part A of Form 1040NMI, or line 4, Part A, page 6, of form 1040NR-CM.

**Wage and Salary Deduction. PART B. Spouse information (filing jointly).**

Enter the amount from line 7, on line 4, column B, Part A, of Form NMI-A (1040CM).