



Schedule C-2 Excess Deductions Against 12% Trade or Business Income

1996

Massachusetts
Department of
Revenue

Generally, taxpayers may not use excess 5.95% deductions to offset 12% income. However, where the taxpayer files a Massachusetts Schedule C or a Massachusetts Schedule E, Massachusetts law allows such offsets if the following requirements are met:

- the excess 5.95% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, section 2(d); and
- these excess deductions may only be used to offset 12% income which is effectively connected with the active conduct of a trade or business or any 12% income allowed under IRC, Section 469(d)(1)(B) to offset losses from passive activities.

Excess deductions offset qualifying capital gains **before** the 50% long-term net collectible gain deduction is taken.

To determine if you have excess deductions, complete lines 1 through 6. If line 6 is more than "0," you have no excess deductions. If line 6 is less than "0," you have excess deductions and should complete the remainder of Schedule C-2 and enclose it with your return.

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|--|-----------|--|
| 1 Total 5.95% income or (loss) (from Form 1, line 10 or 1-NR/PY, line 12) | 1 | <input style="width: 90%;" type="text"/> |
| 2 5.95% interest exemption (total Mass. bank interest or the interest exemption amount, whichever is smaller, from Form 1, line 5a or line 5b or Form 1-NR/PY, line 7a or line 7b) | 2 | <input style="width: 90%;" type="text"/> |
| 3 Abandoned Building Renovation Deduction (from Schedule C, line 30; Schedule E, Part I, line 4; Schedule E, Part II, line 4; or Schedule E, Part III, line 4) | 3 | <input style="width: 90%;" type="text"/> |
| 4 <i>Combine lines 1, 2 and 3.</i> | 4 | <input style="width: 90%;" type="text"/> |
| 5 Additional adjusted gross income deductions (from Form 1 or 1-NR/PY, Schedule Y, total of lines 1, 2 and 3) | 5 | <input style="width: 90%;" type="text"/> |
| 6 <i>Combine line 4 and line 5</i> | 6 | <input style="width: 90%;" type="text"/> |
| 7 If line 6 is more than "0," you have no excess deductions. Omit remainder of schedule. If line 6 is less than "0," enter in line 7a and line 7b any of the following amounts included in Schedule B, line 4 (see instructions): | | |
| a) 12% interest and dividends effectively connected with the active conduct of your trade or business (attach statement substantiating such claim) | 7a | <input style="width: 90%;" type="text"/> |
| b) 12% interest and dividends from passive activities allowed to offset (losses) from passive activities in the current taxable year | 7b | <input style="width: 90%;" type="text"/> |
| <i>Combine line 7a and line 7b</i> | 7 | <input style="width: 90%;" type="text"/> |
| 8 Enter in line 8a and line 8b any of the following amounts included in Schedule B, lines 9 and 11 (see instructions): | | |
| a) 12% capital gains effectively connected with the active conduct of your trade or business (attach statement substantiating such claim) | 8a | <input style="width: 90%;" type="text"/> |
| b) 12% capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year | 8b | <input style="width: 90%;" type="text"/> |
| <i>Combine line 8a and line 8b</i> | 8 | <input style="width: 90%;" type="text"/> |
| 9 <i>Combine line 7 and line 8</i> | 9 | <input style="width: 90%;" type="text"/> |
| 10 Allowable deduction. Enter the smaller of line 6 (considered as a positive amount) or line 9 here and on Schedule B, line 13 | 10 | <input style="width: 90%;" type="text"/> |