



Schedule C-2 Excess Deductions Against Trade or Business Income

2000

Massachusetts
Department of
Revenue

Generally, taxpayers may not use excess 5.85% deductions to offset interest (other than from Massachusetts banks), dividends and capital gains 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 5.85% 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 income which is effectively connected with the active conduct of a trade or business or any income allowed under IRC, Section 469(d)(1)(B) to offset (losses) from passive activities.

To determine if you have excess deductions, complete lines 1 through 6. If line 6 is "0" or greater, 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.

1	Total 5.85% income or (loss) (from Form 1, line 10 or 1-NR/PY, line 12)	1	
2	5.85% interest exemption (total Massachusetts 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	
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	
4	Combine lines 1, 2 and 3	4	
5	Additional adjusted gross income deductions (from Form 1 or 1-NR/PY, Schedule Y, total of lines 1, 2, 3, 4 and 5)	5	
6	Subtract line 5 from line 4.	6	
7	If line 6 is "0" or greater, 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:		
	a. Interest (other than from Massachusetts banks) and dividends effectively connected with the active conduct of your trade or business (attach statement substantiating such claim) . . . 7a		
	b. Interest (other than from Massachusetts banks) and dividends from passive activities allowed to offset (losses) from passive activities in the current taxable year 7b		
	Add line 7a and line 7b.	7	
8	Enter in line 8a and line 8b any of the following amounts included in Schedule B, lines 8, 9 and 10:		
	a. 12% capital gains effectively connected with the active conduct of your trade or business (attach statement substantiating such claim) 8a		
	b. 12% capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year. 8b		
	Add line 8a and line 8b.	8	
9	Add line 7 and line 8.	9	
10	Allowable deduction. Enter the smaller of line 6 (considered as a positive amount) or line 9 here and on Schedule B, line 12	10	
11	Combine line 6 and line 10.	11	
12	If line 11 is "0" or greater, you have no excess deductions. Omit remainder of schedule. If line 11 is less than "0," enter in line 12a and line 12b any of the following amounts included in Schedule D:		
	a. Long-term capital gains effectively connected with the active conduct of your trade or business (attach statement substantiating such claim) 12a		
	b. Long-term capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year 12b		
	Add line 12a and line 12b.	12	
13	Enter the smaller of line 11 (considered as a positive amount) or line 12 here	13	
14	Enter the smaller of line 13 or Schedule D, line 16, column A here and on Schedule D, line 17, column A.	14	
15	Subtract line 14 from line 13. If line 15 is "0," you have no excess deductions; omit remainder of schedule	15	
16	Enter the smaller of line 15 or Schedule D, line 16, column B here and on Schedule D, line 17, column B	16	
17	Subtract line 16 from line 15. If line 17 is "0," you have no excess deductions; omit remainder of schedule	17	
18	Enter the smaller of line 17 or Schedule D, line 16, column C here and on Schedule D, line 17, column C	18	
19	Subtract line 18 from line 17. If line 19 is "0," you have no excess deductions; omit remainder of schedule	19	
20	Enter the smaller of line 19 or Schedule D, line 16, column D here and on Schedule D, line 17, column D	20	
21	Subtract line 20 from line 19. If line 21 is "0," you have no excess deductions; omit remainder of schedule	21	
22	Enter the smaller of line 21 or Schedule D, line 16, column E here and on Schedule D, line 17, column E	22	