2015

Massachusetts Department of Revenue

Schedule H-2
Recapture Offset Worksheet

Note: Corporate taxpayers should not complete the Schedule H-2 worksheet. Instead, they must complete the new Credit Recapture Schedule to calculate the recapture amount.

Recapture Calculation

Year 1

	a. Credits available	b. Credits used	c. Credits unused	d. Unlimited carryovers	e. Three-year carryovers
1 Economic Opportunity Area Credit **1**					
2 Low-Income Housing Credit **2**					
3 Brownfields Credit **3**					
4 Historic Rehabilitation Credit **4**					
5 Total credits. Add lines 1 through 4 . . . . **5**					

Year 2

	a. Credits available	b. Credits used	c. Credits unused	d. Unlimited carryovers	e. Three-year carryovers
6 Economic Opportunity Area Credit **6**					
7 Low-Income Housing Credit **7**					
8 Brownfields Credit **8**					
9 Historic Rehabilitation Credit **9**					
10 Total credits. Add lines 6 through 9 . . . . **10**					

Year 3

	a. Credits available	b. Credits used	c. Credits unused	d. Unlimited carryovers	e. Three-year carryovers
11 Economic Opportunity Area Credit **11**					
12 Low-Income Housing Credit **12**					
13 Brownfields Credit **13**					
14 Historic Rehabilitation Credit **14**					
15 Total credits. Add lines 11 through 14 . . . . **15**					

Year 4

	a. Credits available	b. Credits used	c. Credits unused	d. Unlimited carryovers	e. Three-year carryovers
16 Economic Opportunity Area Credit **16**					
17 Low-Income Housing Credit **17**					
18 Brownfields Credit **18**					
19 Historic Rehabilitation Credit **19**					
20 Total credits. Add lines 16 through 19 . . . . **20**					

Schedule H-2 Worksheet Instructions

Note: Corporate taxpayers should not complete the Schedule H-2 worksheet. Instead, they must complete the new Credit Recapture Schedule to calculate the recapture amount.

To calculate the recapture tax, the taxpayer must complete and file Schedule H-2, Credit Recapture. Under Massachusetts law, an offset of the recapture tax is allowed for credits that have lapsed or are currently in carry over balances. The Recapture Offset Worksheet substantiates that any offset taken against the recapture tax is a result of credits which directly relate to the recapture property.

The Recapture Offset Worksheet's sole function is to calculate what portion, if any, of the recapture property's original Investment Tax Credit has never been used to offset the tax in any tax year. The worksheet provides a method of "tracking" exactly how many credits which relate to the recapture property have been used, lapsed or are currently in carryover balances. In addition, if an offset of the recapture tax is due to unused credits in current carryover balances, the carryover balances must be reduced by that offset amount in order to prevent future use of these credits.

To complete the Schedule H-2 Recapture Offset Worksheet, follow the instructions below.

Recapture Calculation. Use the Recapture Calculation to calculate how much of the recapture property's original credit was actually used during the first four tax years of its qualified use. Starting with the tax year the recapture property was placed in service, Part 1 tracks the credits related to the recapture property through the first four years. The detailed tracking of credits in Part 1 is necessary to determine what portions of three-year carryovers have been used, converted to unlimited status or have lapsed.

Column a. Year 1 was the tax year the recapture property was placed in service. For lines 1 through 4 in col. a, enter the beginning balances for each respective credit category. Enter in line 5, col. a the total credits from property placed in service in year 1, including credits from the recapture property.

Column b. To complete col. b, the taxpayer must know how many credits were allowed for use in that year. Starting with the Economic Opportunity Area Credits and working downward through col. a, transfer credits available for use into col. b until the total col. b credits equal the amount of credits allowable for use in that year or all available credits are used, whichever occurs first.

Columns c and d.

Working downward from col. c, transfer unused credits to col. d. Convert the unused credits to unlimited status until all unused credits are transferred or the total col. d credits equal the amount of the credits eligible for conversion to unlimited carryover status, whichever occurs first.

Column e. Subtract col. d from col. c and enter the result in col. e, except for shaded areas.

If the reduction of the tentative recapture tax is due to unused credits in current carryover balances, the carryover balances must be reduced by the "reduction amount." Taxpayers will not be allowed to use credit carryovers to reduce the recapture tax and to offset tax in future years.