



Massachusetts Department of Revenue

Schedule C-2

Excess Deductions Against Trade or Business Income

2018

Generally, taxpayers may not use excess 5.1% 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 5.1% 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 that is effectively connected with the active conduct of a trade or business or any income allowed under IRC § 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.

1 Total 5.1% income or (loss) (from Form 1, line 10; Form 1-NR/PY, line 12; Form NRCR, line 5a; or Form 2, line 7) 1 []
2 5.1% 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, line 57; or Form 2, Schedule E, line 3) 3 []
4 Combine lines 1, 2 and 3. 4 []
5 Additional adjusted gross income deductions (from Form 1 or Form 1-NR/PY, Schedule Y, total of lines 1 through 10 and 18; or Form 2, line 8. See Form 2 instructions) 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 lines 7a and 7b any of the following amounts included in Schedule B, lines 10 through 12 of Forms 1, 1-NR/PY or MA NRCR; or Form 2, Schedule B, lines 12 through 14:
a 12% capital gains effectively connected with the active conduct of your trade or business (attach statement) 7a []
b 12% capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year. 7b []
Add lines 7a and 7b. 7 []
8 Allowable deduction. Enter the smaller of line 6 (considered as a positive amount) or line 7 here and in Schedule B, line 14 of Forms 1, 1-NR/PY or MA NRCR; or Form 2, Schedule B, line 16 8 []
9 Combine lines 6 and 8. 9 []
10 If line 9 is 0 or greater, you have no excess deductions. Omit remainder of schedule. If line 9 is less than 0, enter in lines 10a and 10b 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). 10a []
b Interest (other than from Massachusetts banks) and dividends from passive activities allowed to offset (losses) from passive activities in the current taxable year 10b []
Add lines 10a and 10b. 10 []
11 Allowable deduction. Enter the smaller of line 9 (considered as a positive amount) or line 10 here and in Schedule B, line 8 of Forms 1, 1-NR/PY or MA NRCR; or Form 2, Schedule B, line 10 11 []
12 Combine lines 9 and 11. 12 []
13 If line 12 is 0 or greater, you have no excess deductions. Omit remainder of schedule. If line 12 is less than 0, enter in lines 13a and 13b 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) 13a []
b Long-term capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year. 13b []
Add lines 13a and 13b. 13 []
14 Allowable deduction. Enter the smaller of line 12 (considered as a positive amount) or line 13 here and in Schedule D, line 18 of Forms 1, 1-NR/PY or MA NRCR; or Form 2, Schedule D, line 17 14 []