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FILE

This is an early release draft of
a 2025 Massachusetts tax
form or schedule.

Do not file **DRAFT** forms.

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processed.



Schedule C-2

Excess Deductions Against Trade or Business Income

2025

Generally, taxpayers may not use excess 5.0% 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 5.0% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, § 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.

▼ Fill in oval if showing a loss

1 Total 5.0% 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 Reserved for Future Use.	2	0000000000
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 2 through 9b and 10; 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, line 13c (Forms 1, 1-NR/PY or MA NRCR); or Schedule B, line 15c (Form 2):		
a Schedule B capital gains effectively connected with the active conduct of your trade or business (attach statement)	7a	
b Schedule B 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 (Forms 1, 1-NR/PY or MA NRCR); or Schedule B, line 16 (Form 2)	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 7 (Forms 1, 1-NR/PY, or MA NRCR) or Schedule B, line 9 (Form 2):		
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, line 13 (Forms 1, 1-NR/PY, or MA NRCR) or Schedule Schedule D, line 12 (Form 2):		
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	