Caution:

DRAFT – DO NOT FILE

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

Do not file **DRAFT** forms.

DRAFT forms **will not** be processed.

Massachusetts Department of Revenue

Schedule SC

Septic Credit for Repairing or Replacing a Failed Cesspool or Septic System

2025

Name(s) as shown on Massachusetts Forms 1 or 1-NR/PY

Social Security number

Street address of principal residence with a failed system (must be in Massachusetts; do not enter PO box)

City/Town

State

Zip

Phone number

Part 1. General information

1a Date certificate of compliance or verification letter issued (mm/dd/yyyy). Retain a copy of certificate or letter

1b Name of approving authority

2 If you were the sole owner of the property, enter 100%; otherwise enter the percentage of the total actual costs that you paid

List names, addresses and pct. of ownership of any co-owners of above property. If a condominium, list legal name of condominium association and total number of owners

For tax years 2022 and prior and claiming a carryforward credit, if you received a subsidized loan from the Commonwealth, or a betterment issued by a municipality to complete repairs or replacement of a qualified cesspool or septic system, complete line 3 (you must also complete Part 5).

3a ○ Subsidized loan issued under homeowner septic repair program

Name of participating lender

Amount of loan

Loan term (in months)

Interest rate (fill in one only)

○ 0% ○ 3% ○ 5%

3b ○ Loan issued by municipality and assessed as a betterment (see instructions) to your property tax bill

Name of municipality

Amount of betterment

Number of years to repay betterment

Interest rate

Part 2. Computation of Septic Credit

Complete Part 2 only if Certificate of Compliance or verification letter was issued in 2025.

4 Briefly describe the nature of expenditures made to comply with Title 5 or to connect to a municipal sewer system pursuant to a federal court order, Administrative Consent Order, state court order, consent decree or similar mandate. Complete details must be available upon request. Also include any actual costs incurred in 1995 through 2024.

a. Description	b. Date paid	c. Actual cost

5a Total actual costs to repair or replace a failed cesspool or septic system or to connect to a municipal sewer system. Add all amounts in line 4, col. c **5a**

5b Enter amounts of grants or reimbursements received for amounts shown in line 5a. **5b**

5c Subtract line 5b from line 5a **5c**

Name(s) as shown on Massachusetts Forms 1 or 1-NR/PY | Social Security number

Part 2. Computation of Septic Credit (continued)

6 Maximum amount available for computation of the credit. Enter the smaller of line 5c or $30,000. 6

7 Amount of actual costs available for the credit. Multiply line 6 by .60 (60%) 7

Part 3. Current year credit

8 Maximum Septic Credit available this year. If Certificate of Compliance or verification letter was issued in 2025, enter the smaller of line 7 or $4,000. If you are claiming a prior year unused septic credit carryover, see instructions. 8

9 Adjusted Septic Credit. Multiply line 8 by the percentage in line 2 9

10 Interest subsidy received, if any (from Part 5, line 36) 10

11 Adjusted Septic Credit available for 2025. Subtract line 10 from line 9. Not less than 0 11

12 Total tax from Form 1, line 28 or Form 1-NR/PY, line 32 less Limited Income Credit, and/or Credit for Taxes Paid to Other Jurisdictions, and/or certain other credits, if any. Not less than 0. See instructions 12

13 Massachusetts Septic Credit allowable this year. Enter the smaller of line 11 or line 12 here and on Schedule CMS. You must enclose Schedule SC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax 13

Part 4. Unused Septic Credit carryover

Complete only if line 7 is more than line 13, or if you have unused credits from prior years.

14 For year of issuance of certificate of compliance.

Year		a. Total credit available	b. Portion used this year (2025 Sch. SC, line 13)	c. Unused credit available Subtract col. b from col. a	
				Amount	For
2021	(2024 Sch. SC, line 14, col. c))				2026
2022	(2024 Sch. SC, line 14, col. c))				2026–2027
2023	(2024 Sch. SC, line 14, col. c))				2026–2028
2024	(2024 Sch. SC, line 14, col. c))				2026–2029
2025	(2025 Sch. SC, line 7)				2026–2030
15 Totals					

Name(s) as shown on Massachusetts Forms 1 or 1-NR/PY

Social Security number

Part 5. Computation of interest subsidy. If certificate of compliance or verification letter was issued in 2022 or a prior year and claiming a carryforward credit, complete all applicable lines.

16 Total amount of loan or betterment outstanding during 2020 . . . . . **16**

17 Number of days the loan or betterment was issued during 2020 . . . . . **17**

18 Amount in line 16 × (number of days in line 17 ÷ 365) × 5% **18**

19 Total amount of loan or betterment outstanding during 2021 . . . . . **19**

20 Number of days the loan or betterment was issued during 2021 . . . . . **20**

21 Amount in line 19 × (number of days in line 20 ÷ 365) × 4% **21**

22 Total amount of loan or betterment outstanding during 2022 . . . . . **22**

23 Number of days the loan or betterment was issued for during 2022 . . . . . **23**

24 Amount in line 22 × (number of days in line 23 ÷ 365) × 5.5% **24**

25 Total amount of loan or betterment outstanding during 2023 . . . . . **25**

26 Number of days the loan or betterment was issued for during 2023 . . . . . **26**

27 Amount in line 25 × (number of days in line 26 ÷ 365) × 8.25% **27**

28 Total amount of loan or betterment outstanding during 2024 . . . . . **28**

29 Number of days the loan or betterment was issued for during 2024 . . . . . **29**

30 Amount in line 28 × (number of days in line 29 ÷ 365) × 9% **30**

31 Total amount of loan or betterment outstanding during 2025 . . . . . **31**

32 Number of days the loan or betterment was issued for during 2025 . . . . . **32**

33 Amount in line 31 × (number of days in line 32 ÷ 365) × 8% **33**

34 Total interest at market rate. Add lines 18, 21, 24, 27, 30 and 33 . . . . . **34**

35 Total interest actually paid on the loan or betterment. If claiming a carryover credit, enter the total interest paid during all periods listed above **35**

36 Amount of interest subsidy. Subtract line 35 from line 34. Enter result here and in Part 3, line 10. **Not less than 0** **36**

Schedule SC Instructions

What is the Title 5 Septic Credit?

Effective for tax years beginning on or after January 1, 2023, the Septic Credit is a credit equal to 60% of the actual costs incurred in the repair or replacement of a failed septic system. The expenses are the lesser of the taxpayer's actual costs paid to repair and replace the system, or $30,000. The maximum amount of the credit that may be claimed in any tax year is $4,000. If your Certificate of Compliance or verification letter was issued in 2022 or prior, the maximum amount of credit carryover that may be claimed in any tax year is $1,500.

Line 8. Complete Part 4. Unused Septic Credit carryover, line 14, column a.

If Certificate of Compliance or verification letter was issued in 2025, enter the smaller of line 7 or $4,000 on line 8.

If the Certificate of Compliance or verification letter was issued in 2023 or 2024, enter the smaller of Part 4. line 14, Year 2023 or 2024 col. a. or $4,000 on line 8.

If the Certificate of Compliance or verification letter was issued in 2021 or 2022, enter the smaller of Part 4. line 14, Year 2021 or 2022, col. a. or $1,500 on line 8.

If the Certificate of Compliance or verification letter was issued in 2020, enter the smaller of 2024 Schedule SC, line 14, 2020 col. c. amount or $1,500 on line 8.

Note: If you moved during the taxable year and had more than one principal residence that qualified for the Septic Credit, you must file a separate Schedule SC for each of those principal residences. However, the maximum amount of the combined Schedule SC credits cannot exceed $4,000. Any excess credit amount may be used in the five tax years following the year in which the credit was initially claimed. The total amount of credit that may be claimed by the owner for a residential property is $18,000.

Who is Qualified to Claim the Credit?

To claim the Septic Credit, you:

- Must be the owner of the residential property located in Massachusetts;
- Must occupy the property as your principal residence; and
- May not be the dependent of another taxpayer.

You are the owner of the residential property if you have legal title to the property. Co-owners of the residential property who meet each of the above requirements may claim the credit proportionate to the amount of actual costs paid by each such co-owner, up to the total maximum amount of the credit of $4,000 per year ($1,500 for prior year carryforwards). A principle residence is generally the residence that you live in most of the time. If another taxpayer may claim you as a dependent on his or her 2025 Massachusetts income tax form you are not eligible to claim the credit.

What are Actual Costs?

Actual costs are the reasonable and necessary costs paid by the owner to repair and replace a failed septic system, including the costs for materials, equipment, demolition, relocation, design, engineering, testing and inspection, reduced by grants and reimbursements received. Expenses incurred by the owner in 1995 through 2024 to repair or replace a failed system are also actual costs.

Effective for tax years beginning on or after January 1, 2024, the credit for expenses incurred in repairing or replacing failed cesspool or septic systems has been expanded to include expenses incurred for repairs, replacements, upgrades or sewer connections that are required by Title 5 of the State Environmental Code, 310 CMR 15.000, or a watershed permit issued by the Department of Environmental Protection. See TIR 24-14 for additional information.

Actual costs do **not** include costs paid for:

- The repair and replacement of any system that is not a failed system;
- The repair and replacement of any system not undertaken pursuant to the relevant Department of Environmental Protection (DEP) regulations; or
- The replacement of landscaping.

A copy of the Certificate of Compliance or verification letter issued to the owner by the appropriate authority stating that the system has been repaired or replaced in compliance with the relevant DEP regulations must be kept with your records.

What is an Interest Subsidy?

For tax years 2022 and prior only, the Commonwealth, through the efforts of the DEP, and the Massachusetts Housing Finance Agency (MHFA) and the state's cities and towns, offers qualified owners interest subsidies in the form of low interest rate loans and betterments for the repair and replacement of failed septic systems. If an owner has received an interest subsidy, the amount of the Title 5 credit that the owner may claim is reduced by the amount of the interest subsidy the owner receives. Generally, the amount of the interest subsidy is the difference between the nonsubsidized interest rate determined under MGL ch 62C, § 32(a) in effect at the time the owner receives the subsidy and the amount of interest the owner actually pays.

How Do I Claim the Credit?

To claim the credit, you must complete and enclose Schedule SC with your return. Failure to do so will result in this credit being disallowed on your tax return and an adjustment of your reported tax.

You must retain for your records:

- A copy of the Certificate of Compliance or verification letter;
- If you have received an interest subsidy from the Commonwealth, a copy of a truth in lending statement or similar document from the lender stating the lender's name, the amount of the loan, the interest rate imposed, the length of the repayment term, and the amount of the loan that you have repaid; and/or
- If the interest subsidy is in the form of a betterment, the relevant property tax bill(s) or other documents received from the taxpayer's city or town stating the name of the city or town, the amount of the betterment, the interest rate imposed, the length of the repayment term, and the amount of the betterment that you have repaid.

For more information on the Septic Credit, see Technical Information Releases 97-12, 98-8, 99-5 and 99-20 and DOR Directive 01-6.

What If I Am Taking the Septic Credit and Another Credit On My Tax Return?

If you are taking another credit in addition to the Septic Credit on your tax return, you must reduce the amount of tax reported in line 12 of Schedule SC (from Form 1, line 28 or Form 1-NR/PY, line 32) by any Limited Income Credit and/or Credit for Taxes Paid to Other Jurisdiction and any other credits you may be eligible for. These include but are not limited to the Solar and Wind Energy Credit, Lead Paint Credit, Economic Opportunity Area Credit, Economic Development Incentive Program Credit, Brownfields Credit, Low-Income Housing Credit, Historic Rehabilitation Credit, Film Incentive Credit, Medical Device Credit, Farming and Fisheries Credit, Low-Income Housing Donation Credit and Veterans Hire Credit.

Note: It is more advantageous to use the credit(s) that is going to expire first.