



# 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
<b>1</b>	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) . . . . .	<b>1</b> <input type="text"/>
<b>2</b>	Reserved for Future Use . . . . .	<b>2</b> <input style="text-align: center;" type="text" value="000000000"/>
<b>3</b>	Abandoned Building Renovation Deduction (from Schedule C, line 30; Schedule E, line 57; or Form 2, Schedule E, line 3) . . . . .	<b>3</b> <input type="text"/>
<b>4</b>	Combine lines 1, 2 and 3 . . . . .	<b>4</b> <input type="text"/>
<b>5</b>	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). . . . .	<b>5</b> <input type="text"/>
<b>6</b>	Subtract line 5 from line 4 . . . . .	<b>6</b> <input type="text"/>
<b>7</b>	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):	
<b>a</b>	Schedule B capital gains effectively connected with the active conduct of your trade or business (attach statement) . . . . .	<b>7a</b> <input type="text"/>
<b>b</b>	Schedule B capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year . . . . .	<b>7b</b> <input type="text"/>
	Add lines 7a and 7b . . . . .	<b>7</b> <input type="text"/>
<b>8</b>	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) . . . . .	<b>8</b> <input type="text"/>
<b>9</b>	Combine lines 6 and 8 . . . . .	<b>9</b> <input type="text"/>
<b>10</b>	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):	
<b>a</b>	Interest (other than from Massachusetts banks) and dividends effectively connected with the active conduct of your trade or business (attach statement). . . . .	<b>10a</b> <input type="text"/>
<b>b</b>	Interest (other than from Massachusetts banks) and dividends from passive activities allowed to offset (losses) from passive activities in the current taxable year . . . . .	<b>10b</b> <input type="text"/>
	Add lines 10a and 10b . . . . .	<b>10</b> <input type="text"/>
<b>11</b>	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 . . . . .	<b>11</b> <input type="text"/>
<b>12</b>	Combine lines 9 and 11 . . . . .	<b>12</b> <input type="text"/>
<b>13</b>	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):	
<b>a</b>	Long-term capital gains effectively connected with the active conduct of your trade or business (attach statement). . . . .	<b>13a</b> <input type="text"/>
<b>b</b>	Long-term capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year . . . . .	<b>13b</b> <input type="text"/>
	Add lines 13a and 13b . . . . .	<b>13</b> <input type="text"/>
<b>14</b>	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 . . . . .	<b>14</b> <input type="text"/>