

Schedule SC

Septic Credit

Credit for Repairing or Replacing a Failed Cesspool or Septic System

2006

Massachusetts
Department of
Revenue

Name(s) as shown on Massachusetts Forms 1, 1-NR/PY Social Security number(s)
Address of principal residence with a failed system (must be in Massachusetts)
City/Town State Zip

Part 1. General Information

1 May your parents (or someone else) claim you as a dependent on their 2005 Massachusetts income tax form? You must check yes or no:

Yes No. If "Yes," you do **not** qualify for this credit.

2a Date certificate of compliance or verification letter issued: / / . Retain a copy of Certificate of Compliance or verification letter.

2b Name of approving authority:

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

4 If you were a co-owner of the property for which this credit is being claimed, enter the percentage of the total actual costs that you paid. If you were

the sole owner of the property, enter 100%: _____%

5 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 the following (you must also complete Part 5):

5a Subsidized loan issued under homeowner septic repair program

Name of participating lender: _____

Amount of loan: \$ _____

Loan term (in months): _____

Interest rate: 0% 3% 5%

5b 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 Credit. Complete Part 2 only if Certificate of Compliance or verification letter was issued in 2006.

6a 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 **b c**

must be available upon request. Also include any actual costs incurred in 1996 through 2005. **Date paid Actual cost**

7 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 6, column c **7**

8 Maximum amount available for computation of the credit. Enter the smaller of line 7 or \$15,000. **8**

9 Amount of actual costs available for the credit. Multiply line 8 by .40 (40%) **9**

Part 3. Current Year Credit

10 Maximum Septic Credit available this year. If Certificate of Compliance or verification letter was issued in 2006, enter the smaller of line 9 or \$1,500. If claiming a carryover credit, enter the smaller of 2005 Schedule SC, line 16, column C or \$1,500 **10**

11 Adjusted Septic Credit. Multiply line 10 by the percentage in line 4. Enter the result in line 11. **11**

12 Interest subsidy received, if any (from Part 5, line 37) **12**

13 Adjusted Septic Credit available for 2006. Subtract line 12 from line 11 **13**

14 Total tax from Form 1, line 27 or Form 1-NR/PY, line 31 less Limited Income Credit, and/or Credit for Taxes Paid to Other Jurisdictions, and/or Home Energy Efficiency Credit, and/or Energy Credit, and/or Lead Paint Credit, Economic Opportunity Area Credit, and/or Full Employment Credit, and/or Brownfields Credit, and/or Low Income Housing Credit, and/or Historic Rehabilitation Credit, and/or Film Incentive Credit, and/or Medical Device Credit, if any **14**

15 Massachusetts Septic Credit allowable this year. Enter the smaller of line 13 or line 14 here and on Form 1, Schedule Z or Form 1-NR/PY, Schedule Z. Do not enclose with your return. Retain for your records **15**

Part 4. Unused Septic Credit Carryover

Complete only if line 9 is more than line 15, or if you have unused credits from prior years.

Year Certificate a. Total credit available b. Portion used c. Unused credit available**of Compliance this year (2006)** Subtract col. b. from col. a**was issued Sch. SC, line 15) Amount For**

16	2002 (2005 Schedule SC, line 16) \$	\$	\$	2007
	2003 (2005 Schedule SC, line 16) \$	\$	\$	2007–2008
	2004 (2005 Schedule SC, line 16) \$	\$	\$	2007–2009
	2005 (2005 Schedule SC, line 16) \$	\$	\$	2007–2010
	2006 (2006 Schedule SC, line 9) \$	\$	\$	2007–2011

Part 5. Computation of Interest Subsidy

If Certificate of Compliance or verification letter was issued in 2006, complete all applicable lines. If claiming a carryover credit, only complete lines 32 through 37.

17	Total amount of loan or betterment outstanding during 2001	17
18	Number of days the loan or betterment was issued during 2001	18
19	Amount in line 17 · (number of days in line 18 ÷ 365) · 8.75%	19
20	Total amount of loan or betterment outstanding during 2002	20
21	Number of days the loan or betterment was issued during 2002	21
22	Amount in line 20 · (number of days in line 21 ÷ 365) · 7%	22
23	Total amount of loan or betterment outstanding during 2003	23
24	Number of days the loan or betterment was issued during 2003	24
25	Amount in line 23 · (number of days in line 24 ÷ 365) · 5.75%	25
26	Total amount of loan or betterment outstanding during 2004	26
27	Number of days the loan or betterment was issued for during 2004	27
28	Amount in line 26 · (number of days in line 27 365) · 5.5%	28
29	Total amount of loan or betterment outstanding during 2005	29
30	Number of days the loan or betterment was issued for during 2005	30
31	Amount in line 29 · (number of days in line 30 365) · 7%	31
32	Total amount of loan or betterment outstanding during 2006	32
33	Number of days the loan or betterment was issued for during 2006	33
34	Amount in line 32 · (number of days in line 33 365) · 8.5%	34
35	Total interest at market rate. Add lines 19, 22, 25, 28, 31 and 34	35
36	Total interest actually paid on the loan or betterment. If Certificate of Compliance or verification letter was issued in 2006, enter the total interest paid during all periods listed above. If claiming a carryover credit only, enter the amount of interest paid in 2006	36
37	Amount of interest subsidy. Subtract line 36 from line 35. Enter result here and in Part 3, line 12	37

Schedule SC Instructions

What is the Title 5 Septic Credit?

The Septic Credit is a credit equal to 40% 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 \$15,000. The maximum amount of the credit that may be claimed in any tax year is \$1,500. 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 \$6,000.

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 \$1,500 per year. 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 2006 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. Expenses incurred by the owner in 1995 through 2004 to repair or replace a failed system are also actual costs. Actual costs do not include costs paid for the repair and replacement

of any system that is not a failed system, or for the repair and replacement of any system not undertaken pursuant to the relevant Department of Environmental Protection (DEP) regulations. 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?

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 G.L. c. 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 Schedule SC. Do not enclose or attach Schedule SC with your return. Retain for your records. You must also retain:

- 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.