

Clarification Regarding the Title V Tax Credit for Little Pond Sewer Service Area Properties

In the week of October 31st, the Town of Falmouth will be mailing a “Verification Letter” to owners of property located in the Little Pond Sewer Service Area. The Verification letter is intended to support *eligible* Little Pond Sewer Service Area property owners in claiming a “Title V tax credit” (per Massachusetts General Law Chapter 62, section 6(i)) on their Massachusetts personal income tax return for a *portion* of the costs of septic system abandonment and sewer connection.

The tax credit will not be available for every property that receives the verification letter. The Title V tax credit is available only to Massachusetts taxpayers who are not a dependent of another taxpayer and who occupy the subject property as their principal place of residence. If you do not have a Massachusetts personal income tax liability (if you do not owe income tax), or if the property is not your principal residence (as is the case for many second homes and of course for commercial properties), then this credit will not apply to you.

Eligible taxpayers will be allowed a *credit equal to 40 percent of the expenditures* for repair or replacement of a failed cesspool or septic system, which is interpreted to include the cost of sewer connection and septic abandonment. The credit will not cover the sewer betterment cost, it will only cover actual construction costs on private property. Said expenditures shall be the actual cost to the taxpayer or \$15,000, whichever is less. However, the credit shall not exceed \$1,500 in any tax year and any excess credit may be applied over the following five subsequent tax years up to an *aggregate maximum of \$6,000*.

So if, for example, a property’s sewer connection and septic abandonment cost was \$8,000, and the property owner was eligible for the tax credit, it appears that the value of the tax credit would be 40% of \$8,000, or approximately \$3,200, spread over three years (\$1,500 the first year, \$1,500 the second year, and \$200 the third year). In addition, the amount of any such credit shall be reduced by an amount equal to the total interest subsidy or grant received from the commonwealth, whether directly or indirectly, toward the cost of said expenditures.

The credit shall be available to eligible taxpayers beginning in the tax year in which the work was completed. If the sewer connection is completed and paid for in calendar year 2017, you would apply for the credit beginning in tax year 2017.

To apply for the Title V tax credit, an eligible resident would file Schedule SC with their Massachusetts income tax return, and attach the Verification Letter as well as documentation of costs (paid invoices) associated with sewer connection and septic abandonment.

The Verification Letter and this press release are for general informational purposes only and taxpayers should seek the advice of a Massachusetts income tax professional for detailed information on Title V tax credit eligibility and application.

Prepared by Amy Lowell, Wastewater Superintendent, October 27, 2016.