



# Instructions for Form CT-222

## Underpayment of Estimated Tax by a Corporation

### General information

All general business corporations (including S corporations), banking, insurance, utilities (including providers of telecommunication services), and transportation and transmission corporations whose applicable tax for the current tax year can reasonably be expected to be more than \$1,000 after credits must file a declaration of estimated tax and make quarterly installment payments. For more information concerning making estimated tax payments, see Form CT-400-I, *Instructions for Forms CT-400 and CT-400-MN*.

Any corporation doing business in the Metropolitan Commuter Transportation District (MCTD) that is required to make a declaration of estimated tax must also make a declaration of estimated metropolitan transportation business tax (MTA surcharge) and make quarterly installment payments.

If you do not pay the required installment payments on time and in the correct amounts, you will have to pay an underpayment penalty for the period of underpayment pursuant to Tax Law, Article 27, section 1085(c).

The penalty is figured separately for each installment due date. Therefore, you may owe a penalty for an earlier due date even if you paid enough tax later to make up the underpayment. This is true even if you are due a refund when your tax return is filed. However, the penalty may be reduced or eliminated if you qualify for an exception pursuant to Tax Law sections 1085(d) and (e). The penalty is computed for the period of underpayment at a rate set by Tax Law section 1096(e). Daily compounding of interest does not apply.

All partnerships, LLCs that are treated as partnerships for federal purposes, and New York S corporations that had income from New York sources are required to pay estimated taxes on behalf of nonresident individuals and C corporation partners, members, or shareholders on their distributive or pro rata share of the respective entity's income. See Form IT-2659, *Estimated Tax Penalties for Partnerships and New York S Corporations*, to determine if you underpaid estimated tax and, if so, to compute the penalty due.

### Who must file

Generally, you do not have to file this form with your applicable tax return because New York State will compute the amount of any penalty and notify you of any amount due. However, if the line 1 amount exceeds \$1,000, and any of the following exceptions apply to reduce or eliminate your penalty, you must complete this form and attach it to your tax return (note that no exceptions may be applied to the mandatory first installment (MFI)):

1. the adjusted seasonal installment method (this exception only applies when the highest tax base, before credits, for the tax year for which the penalty is being computed is the entire net income (ENI) base or one of the following bases:
  - minimum taxable income (MTI) base (Article 9-A)
  - fixed dollar minimum tax (Article 9-A)
  - alternative ENI (Article 32)
  - tax on premiums (Article 33)
  - alternative tax (Article 33)
  - gross earnings or gross income (Article 9));
2. the annualized income installment method (this exception only applies when the highest tax base, before credits, for the tax year for which the penalty is being computed is one of the bases specified for the adjusted seasonal method above);

3. you are **not** a large corporation and you are computing your estimated tax based on the prior year's tax, provided that the prior year consisted of 12 months and your return showed a tax liability (also referred to as "the line 8 exception");
4. you are **not** a large corporation and you are computing your estimated tax by applying to the tax base on which your current year's tax was paid, the facts shown on your return for, and the law applicable to, the preceding tax year, but using the rates applicable to the current year (also referred to as "the line 9 exception").

A *large corporation* is one that had, or whose predecessor had, ENI or allocated ENI of at least \$1 million for any of the three tax years immediately preceding the tax year involved. A corporation filing its first return would be deemed to be a small corporation. **Article 33 filers:** For a non-life insurance corporation subject to tax under Tax Law section 1502-a, a *large corporation* is one that had direct premiums, subject to the premiums tax under Tax Law section 1502-a, exceeding \$3.75 million for any of the three preceding tax years. However, health maintenance organizations (HMOs) subject to Article 33 also meet the definition of a large corporation by satisfying the \$1 million ENI or allocated ENI requirement.

**Note:** Article 9 filers are never considered large corporations.

### Payment of estimated tax

**MFI** — To avoid an underpayment of estimated tax penalty, in regard to the MFI, for either:

- A tax year for which you **did not** file for the preceding tax year a request for extension of time for filing — If your franchise, excise, or gross receipts tax after credits is more than \$1,000 on the return for the tax year preceding the year for which the MFI is required, you must have paid 25% or 40% (as applicable) of that tax with that return; or
- A tax year for which you **did** file for the preceding tax year a request for extension of time for filing — If the lesser of the following two amounts is **more** than \$1,000, you must have paid 25% or 40% (as applicable) of such lesser amount with the request for extension:
  - not less than 90% of the tax after credits as finally determined for the year for which the extension of time for filing was requested; or
  - not less than 100% of the tax shown, after credits, on the return for the year preceding the year for which the extension of time for filing was requested, if such preceding year was a tax year of 12 months.

If you are a domestic, foreign, or life insurance corporation subject to tax under Tax Law, Article 33, section 1510(b)(1), and the tax after credits exceeds \$1,000, the percentage is 40%.

When liable for the MTA surcharge, to avoid an underpayment of estimated tax penalty, an MFI for the MTA surcharge is required when an MFI is required for your franchise, excise, or gross receipts tax. The required MFI for the MTA surcharge for a tax year for which you did **not** file for the preceding tax year a request for extension of time for filing is:

- 25% or 40% of the MTA surcharge reported on the MTA return for such preceding year.

The required MFI for the MTA surcharge for a tax year for which you **did** file for the preceding tax year a request for extension of

time for filing is 25% or 40% of the lesser of the following two amounts:

- not less than 90% of the MTA surcharge as finally determined for the year for which the extension of time for filing was requested; or
- not less than 100% of the MTA surcharge on the MTA return for the year preceding the year for which the extension of time for filing was requested, if such preceding year was a tax year of 12 months.

The second, third, and fourth installments of estimated tax and estimated MTA surcharge are due on the fifteenth day of the sixth, ninth, and twelfth months of your tax year. The amount of each installment is 33⅓% of the estimated tax less the MFI. However, corporations that are **not** large corporations are allowed to make second, third, and fourth installments so that each of those installments is 33⅓% of 91% of the estimated tax less the MFI. The estimated tax is the tax, less allowable credits, shown on the return for the year for which the estimated tax payments were made (or if no return was filed, the tax for that year) unless an exception applies. This amount is referred to in this form as the *current year amount*.

Where you use either exception number 1 or 2 under *Who must file* to reduce the amount of a second, third, or fourth installment that would otherwise be due, the reduction must be recaptured by increasing the amount of the next installment by the amount of the reduction when the next installment is either an amount determined without using an exception, or an amount determined using exception number 3 or 4 under *Who must file*. Subsequent installments must be increased to the extent that the reduction has not previously been recaptured. Schedule A, Part 3 will compute this recapture for you.

### How to use Form CT-222

Complete Part 1 to determine the annual payment. Part 1 determines the least of the following annual payment amounts: the current year amount from line 2; the line 8 exception amount from line 3; or the line 9 exception amount from line 4.

Part 2 is used to inform the Tax Department which exception(s) you are using to reduce or eliminate the underpayment penalty.

The remainder of the form is used to make the actual determination as to which, if any, exceptions apply, and to compute the amount of any penalty on an underpayment of an installment amount.

If an exception(s) applies, mark an **X** in the applicable box(es) in Part 2. If any box in Part 2 is marked, attach Form CT-222 to your tax return. Also, mark the box on the appropriate line on your tax return to inform us you are filing Form CT-222.

Complete Schedule A, Parts 1 and 3 if only the box on line 6 is marked. Complete Schedule A, Parts 2 and 3 if only the box on line 7 is marked. Complete Schedule A, Parts 1, 2, and 3 if both boxes on lines 6 and 7 are marked. Complete Schedule B if the box on line 9 is marked.

### Special instructions for the deferral of tax credits (Chapter 57, Laws of 2010)

- 1) All estimated tax installments must be made taking into account the deferral of tax credits. However, for tax years beginning on or after January 1, 2010, and before January 1, 2011, no addition to tax under Tax Law section 1085(c) may be imposed with respect to that portion of an underpaid estimated tax installment that is attributable to the deferral of tax credits and

was paid before August 11, 2010, **as long as** the installment was timely paid. However, to avoid a penalty for a subsequent installment payment due on or after August 11, 2010, the shortfall in the payment due prior to August 11, 2010, must have been included with the next installment payment due on or after August 11, 2010. Therefore, if you meet the criteria to avoid the penalty for a payment made prior to August 11, 2010, you must still continue completing Form CT-222 for subsequent payments as if the underpayment would be imposed for such payment made prior to August 11, 2010.

- 2) For MFIs due on or after August 11, 2010, you must compute the MFI as if the deferral of tax credits had been in effect for the tax year upon which that MFI is based.

**Example:** *You are filing Form CT-222 for your fiscal tax year of June 1, 2010 – May 31, 2011. The MFI for that tax year was due on August 15, 2010 (with the return or extension due for the previous tax year that began on June 1, 2009). Assuming you filed a return, and not an extension, on August 15, 2010, when determining if a penalty is due with regard to the MFI due on that date, you must re-compute the tax due for the tax year of June 1, 2009 – May 31, 2010, as if the deferral of tax credits had been in effect for such tax year. Note that this example illustrates the first full fiscal year for which an MFI would be due after August 11, 2010.*

- 3) For tax years beginning on or after January 1, 2010, and before January 1, 2011, when using the exception on either line 8 or line 9, the prior year's tax must be re-computed as if the deferral of tax credits had been in effect for such prior year.

## Line instructions

### Part 1 – Annual payment

**Lines 3 and 4 – Deferral of tax credits:** When completing line 3 (which reflects the line 8 exception), as well as when arriving at the line 102 amount that is entered on line 4 (which reflects the line 9 exception), the re-computation as if the deferral of tax credits had been in effect for the prior year must be taken into consideration.

### Part 2 – Reasons for filing

**Lines 6 and 7 – Adjusted seasonal installment method and/or annualized income installment method –** If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to reduce or eliminate the amount of one or more required installments by using the adjusted seasonal installment method and/or the annualized income installment method. The adjusted seasonal method does not apply when you have less than three tax years filed with New York State.

**Example:** *A ski shop, which receives most of its income during the winter months, may benefit from using one or both of these methods to figure its required installments. The annualized income installment or adjusted seasonal installment may be less than the installment under the least of the current year amount, line 8 exception, or line 9 exception.*

**Note:** See *Who must file* for when these methods may be used.

### Part 3 – Computing the underpayment

For lines 11 through 19, complete one column before going to the next column.

**Line 10 –** You are generally required to enter the 15<sup>th</sup> day of the 3<sup>rd</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> months of your tax year.

**Line 11** — For column A:

- For payments of MFI required to be paid **on or after** August 11, 2010: If you **did not** file a request for extension of time for filing for the tax year preceding the tax year for which the penalty is being computed, then multiply line 3 by 25% (.25) or 40% (.40), as applicable. Use 25% if line 3 is more than \$1,000, but does not exceed \$100,000. Use 40% if line 3 exceeds \$100,000 or if line 3 exceeds \$1,000, and you are subject to tax under Tax Law section 1510(b)(1). If you are a large corporation and line 3 is not completed, multiply the applicable percentage by the amount that would have been entered on line 3. If your tax due for the previous tax year was less than \$1,000, enter **0**.

For payments of MFI required to be paid **prior to** August 11, 2010: Enter the amount from your 2009 corporation franchise, excise, or gross receipts tax return that represents your MFI for 2010.

- For payments of MFI required to be paid **prior to** August 11, 2010: If you **did** file a request for extension of time for filing for the tax year preceding the tax year for which the MFI is required, enter from that extension request the amount reported as the first installment of estimated tax for the next tax year. If no MFI was required on such extension request, enter **0**.

For payments of MFI required to be paid **on or after** August 11, 2010: The first installment of estimated tax for the next tax year that is reported on the extension request must reflect the credit deferral being in effect for the tax year upon which the MFI is based.

If the box on lines 8 or 9, but not lines 6 or 7, is marked, subtract column A from line 5 and divide by three. Enter this result in columns B, C, and D. If either of the boxes on line 6 or line 7 is marked, complete the applicable parts of Schedule A and enter the amounts from line 93 in columns B, C, and D.

For the exceptions on lines 6, 7, and 9, the installments should be computed without regard to any increase in the rates applicable to the tax year that may have become effective after the first day of the seventh month of that year.

**Line 12** — Enter the estimated tax payments made by you for your tax year as indicated in the *Column A* and *Columns B, C, and D* instructions. Include any amounts paid on time on your behalf by a partnership. If an installment is due on a Saturday, Sunday, or legal holiday, payments made on the next day that is not a Saturday, Sunday or legal holiday are considered made on the due date to the extent the payment is applied against that required installment.

**Column A** — Enter payments made by the due date on line 10, column A. Also enter this amount on line 16, column A.

**Columns B, C, and D** — Enter payments made by the date on line 10 for that column and after the date on line 10 of the preceding column. Do not include overpayments of tax from prior installment periods.

A payment of estimated tax is applied against underpayments or required installments in the order which the installments are required to be paid, regardless of the installment to which the payment pertains.

**Example: Calendar-year taxpayer**

	First	Second	Third	Fourth
Due date	3/15	6/15	9/15	12/15
25% of prior year tax or MTA surcharge	2,000			
Installment amount due	2,000	1,000	1,000	1,000
Paid on time or credited	2,000	0	500*	1,000**
Underpayment	0	1,000	500	0

\*Paid \$1,500 on 9/15; \$1,000 applied to 6/15 installment; \$500 applied to 9/15 installment. Therefore, penalty is due on \$1,000 from 6/15 to 9/15.

\*\*Paid \$1,500 on 12/15; \$500 applied to 9/15 installment; \$1,000 applied to 12/15 installment. Therefore, penalty is due on \$500 from 9/15 to 12/15.

**Line 18** — Complete lines 20 through 45 to determine the amount of the penalty on any underpayments shown on line 18.

**Deferral of tax credits:** If a column with a date prior to August 11, 2010, on line 10 shows an underpayment of estimated tax for an installment that was timely paid, no penalty will be imposed for that underpayment amount that is attributable to the deferral of tax credits. However, the underpayment amounts for each period entered in columns B, C, and D of line 18 will **not** reflect the fact that some portion of such amounts are not subject to penalty. Therefore, when using the line 18 amounts to compute the underpayment penalty in Part 4, you must exclude from the underpayment amount that portion that is not subject to penalty.

**Part 4 — Computation of the underpayment penalty**

The penalty is computed for the period of underpayment using the underpayment rate determined under Tax Law section 1096(e). The period of underpayment runs from the installment due date to the earlier of the date the underpayment is actually paid **in full** or the 15<sup>th</sup> day of the 3<sup>rd</sup> month after the close of the tax year.

**Example:** A corporation underpaid the 3/15 installment by \$1,000. The 6/15 installment requires a payment of \$2,500. On 6/10, the corporation deposits \$2,500 to cover the 6/15 installment. However, \$1,000 of this payment is applied against the 3/15 installment. The penalty for the 3/15 installment is figured from 3/15 to 6/10 (88 days). Therefore, 6/10 would be entered in line 20, column A. The remaining \$1,500 is applied to the 6/15 installment as if it were made on 6/15.

If you have made more than one payment for a required installment, attach a separate computation for each payment.

**Line 41** — In each of columns B, C, and D, add the amount on line 12 to the amount on line 13. If the resulting sum for a column equals or exceeds the amount computed on line 45, multiply line 40 by 75% (.75), and enter on line 41. If the resulting sum does not exceed the amount on line 45, enter the amount from line 40 on line 41. Note that the 75% provision does not apply to the MFI (column A).

**Schedule A**

See *Who must file* for when the adjusted seasonal installment method or the annualized income installment method may be used. The same requirements apply for using either method for MTA surcharge purposes.

Use Schedule A to figure one or more required installments when the adjusted seasonal installment or annualized income installment method is used. If Schedule A is used for any payment due date, it must be completed for all payment due dates. To arrive at the

amount of each required installment, Schedule A automatically selects the smallest of:

- the adjusted seasonal installment (if applicable);
- the annualized income installment (if applicable);
- the installment under the least of the current year, line 8 exception, or line 9 exception (increased by any recapture of a reduction in a required installment, when applicable).

Follow the steps below to determine which parts of Schedule A have to be completed:

- If you are using only the adjusted seasonal installment method, mark an **X** in the box on line 6 and complete Schedule A, Parts 1 and 3.
- If you are using only the annualized income installment method, mark an **X** in the box on line 7 and complete Schedule A, Parts 2 and 3.
- If you are using both methods, mark an **X** in the boxes on lines 6 and 7 and complete all three parts in Schedule A.

### Schedule A, Part 1 — Adjusted seasonal installment method

You can use the adjusted seasonal installment method only if your base period percentage for any six consecutive months is 70% or more. When the base period percentage is 70% or more, you may also use the adjusted seasonal installment method for MTA surcharge purposes. The base period percentage for any period of six consecutive months is the average of the three percentages computed by dividing ENI, for the corresponding six consecutive month period in each of the three preceding tax years by the total ENI, for each of the three preceding tax years. Note that, for purposes of computing the base period percentage, in lieu of ENI, you must use one of the bases set forth in Item 1 under *Who must file*, when such other base is the highest tax base, before credits, for the tax year for which the penalty is being computed. Compute the base period percentage using the 6-month period in which you normally receive the largest part of your taxable income.

**Example:** *An amusement park with a 2010 calendar tax year receives the largest part of its ENI during the 6-month period from May through October. To compute its base period percentage for this 6-month period in 2010, the amusement park figures its ENI for each May-October period in 2007, 2008, and 2009. It then divides the ENI for each May-October period by the total ENI for that particular tax year. Assume the resulting percentages are: 69% for May-October 2007, 74% for May-October 2008, and 67% for May-October 2009. Because the average of 69%, 74%, and 67% is 70%, the base period percentage for May-October is 70%. Therefore the amusement park qualifies for the adjusted seasonal installment method.*

**Line 61** — For MTA surcharge purposes, you must first figure the franchise, gross receipts, or excise tax on the line 60 amount. Then, you must apply the appropriate worksheet from your MTA surcharge return to that tax amount. This result is then multiplied by the MCTD allocation percentage. Finally, that result is multiplied by the MTA surcharge tax rate of 17%.

**Line 68** — Enter any other tax amounts that are part of the computation of the total tax amount on line 1. Examples include, but are not limited to, the tax on subsidiary capital and, for Form CT-33 or CT-33-A filers, the tax on premiums.

### Schedule A, Part 2 — Annualized income installment method

**Line 74 — Annualized periods** — Enter on line 74, columns B through D, respectively, the annualization periods for the option

shown in the tables below. For example, if you elected option 1, enter on line 74 the annualization periods 4, 7, and 10, in columns B through D, respectively.

	2 <sup>nd</sup> installment	3 <sup>rd</sup> installment	4 <sup>th</sup> installment
Standard option	3	6	9
Option 1	4	7	10
Option 2	5	8	11

Use option 1 or option 2 only if you elected to do so by filing Form CT-222.1, *Election to Use Different Annualization Periods for Corporate Estimated Tax*, by the due date of your declaration of estimated tax. Once made, the election is irrevocable for that tax year.

**Line 75** — Enter on line 75 all items of receipts, income, and expenses that were included in your computation of tax that you received for the months entered for each annualization period in columns B through D on line 74.

**Line 76** — Enter on line 76, columns B through D, respectively, the annualization amounts shown in the table below for the option used for line 74. For example, if you elected option 1, enter on line 76 the annualization amounts 3, 1.71429, and 1.2, in columns B through D, respectively.

	2 <sup>nd</sup> installment	3 <sup>rd</sup> installment	4 <sup>th</sup> installment
Standard option	4	2	1.33333
Option 1	3	1.71429	1.2
Option 2	2.4	1.5	1.09091

**Line 78** — For MTA surcharge purposes, you must first figure the franchise, gross receipts, or excise tax on the line 77 amount. Then you must apply the appropriate worksheet from your MTA surcharge return to that tax amount. This result is then multiplied by the MCTD allocation percentage. Finally, that result is multiplied by the MTA surcharge tax rate of 17%.

**Line 79** — Enter any other tax amounts that are part of the computation of the total tax amount on line 1. Examples include, but are not limited to, the tax on subsidiary capital and, for Form CT-33 or CT-33-A filers, the tax on premiums.

**Line 81** — Enter the credits you are entitled to for the months shown in each column on line 74. Do not annualize any credit. However, when figuring the credits, annualize any item of income or deduction used to figure the credit.

### Schedule B — Line 9 exception

Compute this exception using only the tax base that was used to compute the current year's tax. For example, if the highest liability before credits for 2010 is the ENI base, then complete line 94, and skip lines 95 and 96. Article 9, 32, and 33 filers make substitutions where necessary (for example, to include the correct applicable tax base). When using this exception for MTA surcharge purposes for lines 94, 95, and 96, in lieu of multiplying the applicable 2009 tax base by the applicable 2010 rate, apply the appropriate MTA surcharge return worksheet to the applicable 2009 tax base.

**Line 99** — Enter any other tax amounts that are part of the computation of the total tax amount on line 1. Examples include, but are not limited to, the tax on subsidiary capital and, for Form CT-33 or CT-33-A filers, the tax on premiums.

**Line 101** — Recompute the 2009 tax credits as if the deferral of tax credits was in effect for 2009.

### Need help? and Privacy notification

See Form CT-1, *Supplement to Corporation Tax Instructions*.