



1986 Instructions for Form IT-203

Changes for 1986: ●

- Three-Year Tax Cut Program ●
- Tax Rate Decreased ●
- Tax Brackets Widened ●
- Low Income Allowance Increased ●
- Standard Deduction Increased ●
- Family Adjustment Increased ●
- Household Credit Increased ●

This booklet also contains:

- Instructions for Form IT-203-ATT, Summary of Other Credits and Taxes, and Schedule A, Allocation of Wage and Salary Income* ●
- New York State Tax Rate Schedule* ●

From the Commissioner

January 31, 1986, marked the close of New York's Tax Amnesty program, the most successful program of its kind in the nation. Not only did we collect over \$363 million in back taxes, but thousands of delinquent taxpayers are now back on the tax rolls and paying their fair share.

Since the end of Amnesty, we have been relentlessly pursuing tax cheats so that taxpayers will no longer be shouldering the extra burden of the tax evader. Armed with tough new laws and state-of-the-art computer systems, we are uncovering and cracking down on whole systems of evasion in the State. To catch individuals who are using state borders to evade taxes, we have signed historic information-sharing and other cooperative agreements with fourteen other states, including all of our bordering states and states as far away as California. Indeed, 1986 was a productive year for the Tax Department, bringing bad news for tax evaders, but good news for honest taxpayers.

In addition, you will notice a number of welcome changes when you fill out your 1986 New York State income tax return, as it reflects the second round of tax cuts in New York's three-year tax cut program. Increases in low income allowances exempt thousands of low income individuals and families from paying any income tax at all.

Other families and individuals will benefit from increases in the standard deduction, the household credit and the family adjustment; a decrease in the top tax rate on unearned income; and new tax brackets that shift more taxable income to lower brackets.

As this is written, Congress is resuming its work on reforming federal taxes. This federal tax reform provides us on the State level with a welcome opportunity to continue and expand our program of simplifying and reforming New York State taxes for tax year 1987 and beyond.

The Tax Department remains committed to making taxes as painless as possible in New York State by continuing to improve services to taxpayers, by simplifying and improving our tax forms and instructions, and by using all available resources to curtail tax evasion.

Roderick G. W. Chu

Roderick G. W. Chu,
Commissioner

1986 Portion of the \$3.2 Billion, Three-Year Tax Cut Program

THREE-YEAR TAX CUT PROGRAM

The \$3.2 billion income tax cut benefits all taxpayers. There are a number of changes in this year's tax packet due to this tax reduction program that may affect you. These are highlighted below and are compared to 1984 and 1985.

	1984	1985	1986	1987
Maximum tax rate on wages and other earned income	10%	9.5%	9.5%	9%
Maximum tax rate on unearned income	14%	13.75% (effective rate)	13.5%	13%
Standard married, head of household and qualifying widow(er) deduction	17% of income (\$2,500 max.)	\$2,750	\$3,000	\$3,800
Standard single deduction	17% of income (\$2,500 max.)	\$2,500	\$2,600	\$2,800
Personal exemption	\$800	\$850	\$850	\$900
Maximum family adjustment	\$ 0	\$3,000	\$4,000	\$5,000

Specific changes for 1986 include:

- **Tax Rate Decreased**

The highest rate of tax on unearned income was lowered from an effective rate of 13.75% to 13.5%.

- **Tax Brackets Widened**

Tax brackets above \$11,000 were widened, shifting more taxable income to lower tax brackets.

- **Low Income Allowance Increased**

Total New York Income can be as much as \$4,000 for singles and \$8,000 for all other filers before any New York State tax is due.

- **Standard Deduction Increased**

The standard deduction was increased for singles from \$2,500 to \$2,600, and for all other filers from \$2,750 to \$3,000.

- **Family Adjustment Increased**

The family adjustment can be as much as \$4,000, up from \$3,000 in 1985. In addition, married couples with total New York income of \$38,000 or less are eligible to claim the tax benefit, up from \$36,000 in 1985.

- **Household Credit Increased**

Household credit amounts and limitations have been adjusted to be more responsive to singles and families having household gross income not exceeding \$28,000 and \$32,000 respectively. The previous limitation on household gross income was \$25,000.

Other Changes

- **1987 Tax Outlook — More Reform**

As we go to print, New York State is studying options to further simplify and reform our taxes in light of proposed federal tax law changes. These State tax law reforms, when finalized, might well result in favorable adjustments to the scheduled 1987 tax changes illustrated in the chart above.

- **New York City Income Tax**

Total New York income for residents of the City of New York can be as much as \$5,500 for singles and \$11,000 for all other filers before any New York City resident income tax is due. For nonresidents earning wages or self employment income in New York City, no New York City tax is due if total New York City income, figured as if they were residents, is equal to or less than these amounts.

General Information

Income Subject to Tax

If you are a New York State nonresident, almost all income included in your federal adjusted gross income which is derived from or connected with New York State sources is subject to New York State tax. This includes income from:

- Real or tangible personal property located in New York;
- Services performed in New York;
- A business, trade, profession or occupation carried on in New York;
- A corporation in which you are a shareholder and which makes an election under Section 660 of the Tax Law to be taxed as a small business corporation (S corporation);
- Your distributive share of New York State partnership income or gain; and
- Your share of New York State estate or trust income or gain.

A nonresident is also subject to:

- A New York State minimum income tax on tax preference items derived from or connected with New York sources;
- A separate tax on the ordinary income portion of lump sum distributions derived from or connected with New York sources; and
- A separate tax, resulting from the termination of a PASS (parents' and students' savings) fund.

You do **not** have to pay New York State tax on the following income even if it was included in your federal adjusted gross income:

- Annuities, interest, dividends or gains from the sale or exchange of intangible personal property, unless they are part of the income you received from carrying on a business, trade, profession or occupation in New York.
- Compensation you received for active service in the United States military.
- Your income as a shareholder of a corporation which did **not** have an election in effect to be taxed as a small business corporation (S corporation) under Section 660 of the Tax Law.
- Your distributive or pro rata share for federal income tax purposes of income, gain, loss or deduction from an insurance business doing business as a member of the New York Insurance Exchange.

Who Must File

You must file a New York State nonresident income tax return, Form IT-203, if you are not a resident of New York State and you meet any of these conditions:

- You are single and your *total New York income* is more than the number of your

exemptions multiplied by \$850 and your *total New York income determined as if you were a New York resident* is more than \$4,000. Your *total New York income* is the amount that you enter on line 32, column A, of Form IT-203. Your *total New York income determined as if you were a New York State resident* is the amount that you enter on line 32, federal amount column of Form IT-203.

- You are married and your combined *total New York income* is more than your combined number of exemptions multiplied by \$850, and your combined *total New York income determined as if you both were New York State residents* is more than \$8,000.
- You are a qualifying widow(er) with a dependent child or a head of household with a qualifying person and your *total New York income* is more than the number of your exemptions multiplied by \$850 and your *total New York income determined as if you were a New York State resident* is more than \$8,000.
- You have New York tax preference items, for minimum income tax purposes, in excess of your specific deduction. For further information, see the instructions for Form IT-220. See *Other Forms You May Have to Use* (Form IT-220, *Minimum Income Tax*) on page 6 of these instructions.
- You are subject to a separate tax on any lump sum distributions derived from or connected with New York State sources. See *Other Forms You May Have to Use* (Forms IT-230 and IT-230.1, *Separate Tax on Lump Sum Distributions*) on page 6 of these instructions.
- You are subject to a separate tax because a PASS (parents' and students' savings) fund was terminated. See *Other Forms You May Have to Use* (Form IT-270, *Tuition Deduction and Higher Education (PASS) Funds*) on page 6 of these instructions.
- You incurred a net operating loss for New York State personal income tax purposes for the taxable year without incurring a similar net operating loss for federal income tax purposes.

Even if you do not have to file a return, you should file to get a refund if New York State, City of New York or City of Yonkers income taxes were withheld from your pay.

City taxes — If you were a City of New York or City of Yonkers nonresident but earned wages or conducted a trade or business in these cities (either as an individual or a member of a partnership), you may have to figure your City of New York nonresident earnings tax on Form NYC-203 or your City of Yonkers nonresident earnings tax on Form Y-203

and attach the form to your New York State nonresident return. For more information on the City of New York nonresident earnings tax, see page 24 of these instructions. For more information on the City of Yonkers nonresident earnings tax, see Y-203-I, *Instructions for Form Y-203*.

Joint and Separate Returns for Married Taxpayers

If you each have total New York income that is more than the number of your personal exemptions multiplied by \$850, you will usually pay less tax if you file separate New York State income tax returns.

The way you filed your federal income tax return determines the way you must file your New York State nonresident income tax return.

If you filed a joint federal return (or if neither of you had to file a federal return):

- You can file a joint New York State return on Form IT-203, or
- You can file separate New York State returns on the same Form IT-203.

Filing separate returns will usually result in a lower New York tax. However, the deduction for a married couple when both work **cannot be claimed** on separate returns. In some cases, your tax may be less if you file a joint New York State return and claim the federal deduction for a married couple when both work and the New York State family adjustment. You may want to figure your tax both ways to see which results in the lower tax.

If you and your spouse are both nonresidents for the entire taxable year, and one of you has no income from New York State sources, you will usually pay less tax if you file a joint New York State return.

If one spouse was a New York State resident for the entire taxable year and the other was a nonresident for the entire taxable year (and each one is required to file a New York State return), each spouse must file a separate New York State return using resident Form IT-201 or nonresident Form IT-203, whichever applies. However, they may file a joint state return if they have filed a joint federal return and if they both file as New York State residents for the entire taxable year. If either spouse changed residence during the taxable year, see *Part-year residents* on page 6 of these instructions.

If you filed separate federal returns, you must each file a separate Form IT-203 using column A for your New York State

When to File

File your return as soon as you can after January 1, 1987, but not later than **April 15, 1987**. If you file late, you may have to pay penalties and interest. See *Penalties and Interest* on this page.

Extension of time to file — If you know that you cannot meet the April 15 deadline, ask for an extension of time by filing Form IT-370, *Application for Automatic Extension of Time to File*. The time to file will be automatically extended for four months if you file Form IT-370 on time and pay the tax you owe with it.

If you do not expect to owe any tax and you are filing Form 4868 to extend the time to file your federal return, you can also use a copy of it to extend the time to file your New York return instead of filing Form IT-370. Write "NY State Copy" in the top margin and mail it to: New York State Income Tax, W. A. Harriman Campus, Albany, NY 12227-0125.

If you are traveling or living outside the United States on April 15, 1987, you are automatically granted an extension to June 15, 1987, to file your federal and state returns. For more information, see Publication 362, *U.S. Citizens Abroad*.

Where to File

Use the preaddressed envelope that came with your tax packet. If you do not have one, address your envelope —

For refund returns:

New York State Income Tax
W.A. Harriman Campus — REFUND '86
Albany, NY 12227-0125

For all other returns:

New York State Income Tax
W.A. Harriman Campus
Albany, NY 12227-0125

Maximum Tax on Personal Service Income

If your taxable income includes more than \$16,000 of personal service income (wages, salaries, professional fees, bonuses, etc.), you may qualify for a maximum tax benefit.

Complete Form IT-250, *Maximum Tax on Personal Service Income*, to figure your maximum tax and attach it to your return. See page 2 of Form IT-250 for definitions and for line-by-line instructions.

Household Credit

If you are single, with household gross income of \$28,000 or less and cannot be claimed as a dependent on another taxpayer's federal return, you qualify for a \$20 to \$75 household credit.

If you are married, a qualifying widow(er)

a dependent child, or a head of

household with qualifying person, with household gross income of \$32,000 or less and cannot be claimed as a dependent on another taxpayer's federal return, you qualify for a household credit of \$15 to \$75 plus \$5 to \$15 for each exemption you claim on your return.

For more information, see page 18 of these instructions.

Wage and Tax Statement(s)

Your employer must give you a wage and tax statement — either federal Form W-2 or New York State Form IT-2102. This statement shows your total earnings and the amount of New York State, City of New York and City of Yonkers taxes withheld from your pay during the year.

If you received periodic annuity, pension, retirement pay or IRA payments and New York State income tax was withheld, the payer must give you a statement, either federal Form W-2P or New York State Form IT-2102P. This statement shows the amount of your gross and taxable retirement plan payments, and the New York State, City of New York and City of Yonkers taxes withheld from your payments during the year.

You must attach Copy 2 of your wage and tax statement(s) to your return. If you have not received your statement(s) by February 16, 1987, or if it is incorrect or lost, contact your employer or the payer of your retirement plan payments.

Whole Dollar Amounts

You may round all money items on your return to the nearest dollar. For example, round \$10.49 to \$10; round \$10.50 to \$11. If you round to the nearest dollar, round for all amounts.

Death of Taxpayer

An executor, administrator or spouse has to file a New York State return for a taxpayer who died before filing a return for 1986. If a joint federal income tax return was filed for the deceased taxpayer and the surviving spouse, joint or separate New York State returns can be filed on Form IT-203. Complete Item D by entering the deceased taxpayer's first name and the date of death. The filing due date is the same as if the taxpayer had lived.

Paid Preparers Must Sign Your Return

Anyone you pay to prepare your return must sign it and fill in the other blanks in the paid preparer's area of your return. The preparer required to sign your return must sign it by hand; signature stamps or labels are not acceptable. If someone

prepares your return and does not charge you, that person should not sign it.

Paid tax return preparers should be familiar with their responsibilities. They should get Publication 50, *Information for Paid Preparers of New York Income Tax Returns*, for more details.

Payments of Estimated Tax

If you expect your 1987 tax withheld to be less than 80% of your 1987 tax and less than 100% of your 1986 tax (based upon a return covering 12 months), you may have to pay estimated tax. You do not have to pay estimated tax if you expect to owe less than \$100 of either New York State, City of New York or City of Yonkers tax after deducting tax withheld and credits that you are entitled to claim. See Form IT-2105, *New York State, City of New York and City of Yonkers Estimated Income Tax*, for more information.

If you paid estimated tax for 1986, you will automatically receive a 1987 estimated tax packet in the mail. If you did not pay estimated tax for 1986, or do not receive your packet by the date your first payment is due (generally April 15), call or write us for forms and instructions. See *Forms and Assistance* on page 7 of these instructions.

Penalties and Interest

Interest — Daily compounded interest will be charged on income tax that is not paid on or before April 15, 1987, even if you received an extension of time to file your return.

If we have to pay interest to you because we didn't issue your refund check by July 15, 1987 (or, if your return was filed after April 15, 1987, within 3 months from the date it was filed), it also will be compounded daily. However, we will not pay interest to you if your return cannot be processed. To be processed, your return must show your name, address, social security number, signature and the information needed to mathematically verify your tax liability.

Late filing penalty — If you file late, you will be charged a penalty of 5% of the tax due for each month, or part of a month, the return is late (maximum 25%) unless you extend the time to file, or you attach to your return an explanation showing reasonable cause for the delay. If your return is more than 60 days late, the penalty will not be less than \$100 or 100% of the balance of tax due on your return, whichever is less. For information on filing an application for an extension of time to file your return, see *When to File* on this page.

Late payment penalty — If you do not pay your tax when due, you will be charged a penalty of 1/2 of 1% of the unpaid amount

for each month or part of a month it is not paid. This penalty is in addition to the interest charged for late payments. This penalty may not be charged if you attach to your return an explanation showing reasonable cause for paying late.

Substantial understatement of liability — If you substantially understate your tax liability, you may have to pay a penalty of 10% of any tax you owe that results from your understatement. Understatement means the difference between the correct tax and the tax shown on your return. You are considered to have substantially understated your tax if the understatement is more than 10% of the tax required to be shown on your return or \$2,000 (whichever is greater).

Underpayment of estimated tax penalty — If your 1986 withholding and estimated tax payments do not equal at least 80% of your 1986 tax or 100% of your 1985 tax (based upon a return covering 12 months), you may be subject to a penalty for underpayment of estimated tax. Attach Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals*, to show how you figured the penalty, or which exceptions to the penalty apply. For more information, see the instructions for Form IT-2105.9.

Negligence penalty — If your return does not show all of the tax imposed under the Tax Law, its rules or regulations, due to negligence or intentional disregard but not with intent to defraud, you will be charged a penalty of 5% of any deficient amount. In addition, 50% of the interest due on any underpayment resulting from negligence will be added to your tax.

Fraudulent returns — If any part of a deficiency is due to fraud, you will be charged a penalty of 50% of the deficiency. In general, a deficiency is the difference between the correct tax and the tax shown on your return. In addition, 50% of the interest due on any deficiency resulting from a fraudulent act will be added to your tax.

Frivolous returns — A penalty of up to \$500 will be imposed on any person who files a frivolous tax return. A return is considered frivolous when it does not contain information needed to judge the correctness of the tax return, or reports information that is obviously and substantially incorrect, and intended to delay or impede the administration of Article 22.

Changes in Your Federal Income Tax

If the Internal Revenue Service changes the taxable income, tax preference items, total taxable amount or ordinary income portion of a lump sum distribution, or credit for child and dependent care that you reported on your federal return, and the change increases or decreases your

New York State tax, you must report this change to the New York State Tax Department within 90 days after the date the IRS makes its final determination. To report changes, complete Form IT-115 and, if necessary, Forms IT-115.1 (minimum income tax) and IT-115.3 (separate tax lump sum distributions). File these forms separately; do not attach them to any other returns.

Amended Returns

If you file an amended federal return showing a change in your taxable income, tax preference items, total taxable amount or ordinary income portion of a lump sum distribution, or credit for child and dependent care, you must also file an amended New York State return within 90 days of the date you amend your federal return if the change increases or decreases your New York State tax.

You must also file an amended return to correct any errors on your original nonresident return. To amend your original Form IT-203, get a blank Form IT-203 for that year and write "Amended" at the top of page 1. Complete the form entering the corrected information. Attach payment for any additional tax plus interest that may result from these changes. Send it to: New York State Income Tax, W.A. Harriman Campus, Albany, NY 12227-0125.

For more information, see Publication 380, *How to Amend Your New York State Income Tax Return*.

Resident and Nonresident Defined

You may have to pay income tax as a New York State resident even if you are not considered a resident for other purposes. For income tax purposes, your resident status depends on where you were domiciled and where you maintained a permanent place of abode during the taxable year.

In general, your *domicile* is the place that you intend to have as your permanent home — the place you intend to return to whenever you may be away. For income tax purposes, your domicile is the state where your permanent home is located.

You can have only one domicile. Your domicile does not change until you move to a new location with the sincere intention of making your permanent home there. If you move to a new location but intend to stay there only for a limited amount of time (no matter how long), your domicile does not change.

A *permanent place of abode* is a residence you permanently maintain, whether you own it or not, and usually includes a residence your spouse owns or leases. A place of abode is not permanent if you maintain it only during a temporary or limited period of time for a particular purpose.

Resident — You are a New York State resident if:

- Your domicile is not New York State but you maintain a permanent place of abode in New York and spend *184 days or more* in New York during the taxable year. However, if you are a member of the armed forces, and your domicile is not New York State, you are not a resident under this definition; or
- Your domicile is New York State unless you meet **all three** of the conditions in either Group A or Group B as follows:

Group A

- You did not maintain any permanent place of abode in New York State during the taxable year; and
- You maintained a permanent place of abode outside New York State during the entire taxable year; and
- You spent *30 days or less* in New York State during the taxable year.

Group B

- You were in a foreign country for at least 450 days during any period of 548 consecutive days; and
- You spent *90 days or less* in New York State during this 548 day period, and your spouse (unless legally separated) or minor children spent *90 days or less* in New York during this 548 day period in a permanent place of abode maintained by you; and
- During any period of less than one year which is in this 548 consecutive day period, (which would be treated as a separate taxable period as a result of a change of resident status during the year), you were in New York State for no more than the number of days bearing the same ratio to 90 as the number of days in the less-than-one-year-period bears to 548 days. Your status is determined by the following formula:

$$\frac{\text{No. of days in the less-than-one-year period}}{548} \times 90 =$$

(No. of days not to be exceeded in NY to meet this condition.)

For more information, see Publication 362, *U.S. Citizens Abroad*.

Nonresident — You are a New York State nonresident if you do not meet the above definition of a resident.

Members of the Armed Forces

If your permanent home (domicile) was outside New York State when you entered the military, you do not become a New York State resident even if you were assigned to duty in New York State and established a place of abode in New York State. If you are a New York State nonresident, your military pay is not subject to New York State tax. However, **111**

any other New York income (including your spouse's income) may be subject to tax. If your domicile is New York State but you meet all three conditions in Group A on page 5 and want to file for a refund of any New York State income tax withheld, file nonresident Form IT-203 and attach an explanation which contains the following information:

- A statement that you had no permanent place of abode in New York State during the taxable year, and
- The location and a brief description of the permanent place of abode you maintained outside New York State and the beginning and ending dates of your stay there, and
- The exact number of days you were in New York State during the taxable year.

If you meet all three conditions in Group B on page 5 and want a refund, file nonresident Form IT-203 and attach a statement explaining how you meet the three conditions.

For more information, see Publications 361, *Military Personnel and Veterans*.

City Nonresident Earnings Taxes (Cities of New York and Yonkers)

If you are not a resident of the City of New York or City of Yonkers but you earned wages or self-employment income in either or both of these cities and you have to file a New York State income tax return, you must also file Form NYC-203, *City of New York Nonresident Earnings Tax Return*, and/or Form Y-203, *City of Yonkers Nonresident Earnings Tax Return*.

If you are married, you cannot file jointly on Form NYC-203 and/or Form Y-203. If you each have taxable earnings, you must each file a separate Form NYC-203 and/or Form Y-203.

Form NYC-203 and Form Y-203 are due the same time as your state return and must be attached to it. For more information, see the instructions for these forms.

Part-Year Residents

If you became a New York State resident or moved out of New York during the year, you may have to pay New York State income tax for that part of the taxable year you were a New York resident. If you received income from New York State sources during the time you were a nonresident, that income may also be subject to New York State tax.

If you changed your resident status, you may have to file both a resident return (IT-201) and a nonresident return (IT-203) for the taxable year

You will also have to complete Form IT-360, *Change of Resident Status*, and attach it to your New York returns. For more information, see IT-360-I, *Instructions for Form IT-360*.

Partnerships

Partnerships are not subject to the New York State personal income tax but individual members of the partnership are. If your partnership has a partner who is a New York State resident or if the partnership has any income from New York State sources, it must file Form IT-204, *New York State Partnership Return*. If you were a partner, transfer your share of income (or loss), deductions and adjustments from Form IT-204 to your Form IT-203. For more information, see the instructions for Form IT-204.

Name and Social Security Number on Forms

You must enter your name and social security number on all forms and schedules you send to us. If you owe income tax, write your social security number and "1986 income tax" on your check or money order.

Privacy Notification

The authority to request this personal information from you or your employer, including identifying numbers (Social Security numbers, etc.) is found in Sections 651, 652, 658, 697, 1306, 1332 and 1342, Articles 22, 30, 30-A and 30-B in general of the Tax Law, Article 2-E of the General City Law, and Part 152 of the Personal Income Tax Regulations. The principal purpose for which the information is collected is to assist the Department of Taxation and Finance in determining New York State personal income tax liabilities under Article 22 of the Tax Law, New York City personal income tax liabilities under Article 30 of the Tax Law and Article 2-E of the General City Law, and City of Yonkers income tax surcharge on residents and earnings tax on nonresidents under Articles 30-A and 30-B of the Tax Law. The authority to maintain this information is found in Section 697(e) of the Tax Law and Section 152.8 of the Personal Income Tax Regulations.

The information will be used for tax administration purposes and as necessary under Tax Law Sections 171-a, 171-b, 171-c, 171-d, 171-e and 697 and for any other purpose authorized by law, and when the taxpayer gives written authorization to this department for another department, person, agency or entity to have access, limited or otherwise, to information contained in their return.

Failure to provide the requested information may result in civil penalties under Section

685, 1312, 1332 and 1342 of the Tax Law and/or criminal penalties under Article 37 of the Tax Law.

This information will be maintained by the Director, Accounting and Records Management Bureau, Processing Division, Department of Taxation and Finance, W. A. Harriman Campus, Building 8, Room 905, Albany, New York 12227-0125, telephone 1-800-342-3536; outside New York State (518) 438-8581.

Federal/State Tax Agreement

Under authority of federal and New York State laws, the New York State Department of Taxation and Finance and the Internal Revenue Service have entered into a federal/state agreement for the mutual exchange of tax information.

Other Forms You May Have to Use

Form IT-203-ATT, Summary of Other Credits and Taxes, and Schedule A, Allocation of Wages and Salary Income to New York State. Complete this form if you are subject to any other New York State taxes or if you want to claim other New York State credits. You must complete Schedule A on this form if you worked both in and out of New York State for an employer, and your income is not based on the volume of business transacted. For more information, see *Instructions for Form IT-203-ATT* on page 22.

Form IT-220, Minimum Income Tax. Complete this form if you had a net long-term capital gain, claimed accelerated depreciation or amortization of certain facilities, dividend exclusion or had other tax preference items totaling more than the allowable specific deduction. You may have to file Form IT-220 even if you are not required to file federal Form 6251, *Alternative Minimum Tax Computation*. For more information, see the instructions for Form IT-220.

Forms IT-230 and IT-230.1, Separate Tax on Lump Sum Distributions. Complete Form IT-230 or IT-230.1 if you have to pay a separate tax on the ordinary income portion of a lump sum distribution from a qualified retirement plan. For more information, see the instructions for Forms IT-230 and IT-230.1.

Form IT-270, Tuition Deduction and Higher Education (PASS) Funds. Complete this form to report distributions from, or the termination of, a PASS (parents' and students' savings) fund that was established when you, or the creator of the fund, were a New York State resident. For more information, see Publication 320, *Tuition Deduction and the PASS Plan*

Form IT-399, New York State

Depreciation. Complete this form if you are an individual, partnership, estate or trust to figure your New York depreciation deduction for property placed in service during taxable years beginning in 1981, 1982, 1983, 1984 and for property placed in service outside New York State in taxable years beginning after December 31, 1984; the adjustment for the federal ACRS deduction and the year of disposition adjustment. For more information, see Form IT-399.

Important Note: If the election was made to expense recovery property on federal Form 4562 and you check filing status ③ or ④, see specific instructions on Form IT-399.

Computer Filled-In Returns

If you use a computer to fill in your return, be sure you meet these requirements:

- You must use the official income tax forms that we provide. However, you may computer-generate any form that is **not listed below** as long as it is substantially identical to the official form. Income tax forms that you **cannot** computer-generate are IT-100, IT-100-R, IT-100-S, IT-115, IT-200, IT-201, IT-201-X, IT-203, IT-204, IT-205, IT-214, IT-370, IT-372, NYC-203, Y-203, Y-204, NYC-206 and Y-206.
- Your software must conform to current federal and state income tax laws. Last year's program may not be suitable unless it has been updated.

Forms and Assistance

You can get **forms and publications** at many New York State banks and public libraries, or by using the *New York Income Tax Forms Order Blank* in the tax packet mailed to you. You can also get forms by calling toll-free, in New York State only, **1-800-462-8100**. From areas outside New York State, call **(518) 438-1073**.

For **information** or answers to your New York State tax questions, call toll-free, in New York State only, **1-800-342-3536**. From areas outside New York State, call **(518) 438-8581**. Telephone assistance is available from 8 a.m. to 5 p.m. Monday through Friday.

To make sure that Tax Department employees give courteous responses and correct information to taxpayers, a second Tax Department employee sometimes monitors telephone calls. No record is kept of any taxpayer's name, address or social security number.

If you have a question about the status of your refund check, see *When to Call About Your Refund* on this page.

If you want to write instead of calling, address your letter to **New York State Tax Department, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany, NY 12227-0125**.

When to Call About Your Refund

Generally, early filers get their refund checks first. However, if you file after April 1, you may not receive your refund check for at least 12 weeks. If you have to call to ask where your refund check is, please wait until after April 15; then call toll-free in New York State only, 1-800-443-3200. From areas outside New York State, call (518) 438-6777.

Trying to Resolve a Problem with the Tax Department?

New York State has a Problem Resolution Program for taxpayers who have been unable to resolve a problem with the Tax Department. If you have a tax problem and have made **two or more attempts** to resolve it without success, you may seek help from one of our Problem Resolution Officers (PROs).

You may call or write to the PRO serving your area. You can get the address and telephone number by calling us (see *Forms and Assistance* on this page).

Steps for Preparing Your Return

Prepare your federal return first; much of the information on your New York State nonresident return will be the same. In many cases when New York State and federal tax laws are similar, the New York instructions do not repeat all the requirements, but instead, explain the differences.

Step 1

Get all forms, schedules and publications you need.

If you need any forms or publications, see *Forms and Assistance* on this page.

Step 2

Get your tax records together.

If you received a salary or wages, get all your 1986 wage and tax statements together. These can be either New York Form IT-2102 or federal Form W-2. Only your employer can issue or correct these forms. If you have not received your wage and tax statements by February 16, or if the form you received is incorrect, contact your employer.

If you had tax withheld from annuities, pensions, retirement pay or IRA payments, get together all of your New York Form(s) IT-2102P or federal Form(s) W-2P.

If you plan to take any credits or deductions, get all the supporting information and records you will need.

If you made payments during the year for your New York State, City of New York or City of Yonkers estimated tax, check your payments or credits that were applied to your 1986 tax year.

Step 3

Fill in your return.

Fill in your return using the line-by-line instructions that begin on page 8. Make your entries in the *white* areas of your Form IT-203. Then continue with *Step 4* on page 21.

Line-by-Line Instructions — Form IT-203

All information on your return, except for your mailing address, should be for the calendar year January 1 through December 31, 1986, or for your fiscal year. If you are filing for a fiscal year, enter the month and day your tax year began, and the month, day and year that it ended at the top of page 1.

Make your entries in the *white* areas of Form IT-203.

Name and Address Box

Do not write in this box or attach your mailing label until you have completed and checked your return.

Step 5 on page 21 of these instructions will tell you how to complete this section of your return.

Item A Filing status

Show your filing status by checking only one box. If you filed a federal return, you must use the same filing status for your New York nonresident return. **However, if you are married and filed a joint federal return, you can file your New York State nonresident return either jointly or separately on one Form IT-203.** See *Joint and Separate Returns for Married Taxpayers* on page 3 of these instructions.

Item B

Can you be claimed as a dependent?

If you can be claimed as a dependent on another taxpayer's 1986 federal return, check the Yes box. If not, check the No box.

Item C Part-year residents

If you were a permanent New York State resident for part of the year, enter in the box the number of full months that you were a New York State resident. Count as a full month any period of more than one-half month; do not count a period of one-half month or less. If you changed your resident status, complete Form IT-360 and attach it to your Form IT-203. For more information, see *Part-Year Residents* on page 6 of these instructions.

Item D Deceased taxpayer

If the taxpayer is deceased, enter the first name and the date of death in the spaces provided.

Which Columns To Fill In

Lines 1 through 18 are a summary of the items that make up your total income (federal adjusted gross income). As a New York State nonresident, you have to pay **114** New York State tax on income included in

your federal adjusted gross income which is derived from or connected with New York State sources. The federal amount column lists the items which make up your federal adjusted gross income. Column A (and column B if you checked filing status ③) is used to figure your total income from New York sources.

Enter in the federal amount column the total amount reported on your federal return for each of the items listed. Enter in column A (and column B if you checked filing status ③) the part of each amount in the federal amount column that is derived from or connected with New York State sources (see *Income Subject to Tax* on page 3 to determine what constitutes income derived from or connected with New York State sources). If you checked filing status ②, do not make any entries in column B; all entries in column A should include amounts derived from or connected with New York State sources for both husband and wife.

If you checked filing status ③, enter in the federal amount column the combined amount of each item of income that you and your spouse included in your joint federal return. Enter in columns A and B your own shares of each joint amount (**determined as if you each had filed a separate federal return**) which is derived from or connected with New York State sources. **You cannot split your combined New York income equally.** If you have income from jointly-owned property located in New York State, you each must report your shares separately in columns A and B, as if you determined your federal income separately.

If you checked filing status ③ and one spouse had no income from New York State sources, enter in the federal amount column the combined amount of each item of income that you and your spouse included in your joint federal return. (**Remember — if only one spouse has New York State income, you will usually pay less tax if you file a joint New York State return.**) Column A should be completed for the spouse who had income from New York State sources. Column B should be completed for the other spouse by entering "0" on lines 20, 32 and 45. Enter the spouse's exemption amount on line 47b. If the family adjustment is claimed, enter it on line 49 and complete the remainder of column B. If the family adjustment is not claimed, enter "0" on lines 49, 54, 56, 58, 70, 71 and 73.

You do not have to attach an explanation of how you figured amounts reported on lines 1 through 18 unless the total of columns A and B does not equal the total of the federal amount column.

Federal Income and Adjustments

Line 1

Wages, salaries, tips, etc.

Federal amount column — Enter the amount of your wages, salaries, fees, bonuses, commissions, fringe benefits, tips, etc., reported on your federal return even if they were not reported by your employer on a wage and tax statement.

Column A — Enter the part of the federal amount which is for services performed in New York State. If you checked filing status ③, enter your share of this amount in column A and your spouse's share in column B. Figure your separate shares of wages, etc., as if you each had filed a separate federal return.

Income earned only partly inside New York State — If any amount included in the federal amount column, line 1, is income earned only partly inside New York State, figure the amount earned inside New York State by **completing Schedule A on page two of Form IT-203-ATT** (unless your compensation is based upon the volume of business transacted). The amount allocable to New York State is that part of the income which the number of days worked in New York State bears to the total number of days worked both inside and outside New York State.

Working days are days on which you have to perform the usual duties of your job. This does not ordinarily include duties performed at your home. Nonworking days are holidays, sick leave, vacations, Saturdays, Sundays, etc.

Form IT-203-ATT, Page 2, Schedule A — Allocation of Wage and Salary Income to New York State.

Failure to complete Schedule A and attach it to your Form IT-203 will result in a delay in the processing of your return.

Enter on line a of Schedule A any amount included on line 1, in the federal amount column, which was earned only partly inside New York State. Then complete lines b through f and use the allocation formula on line g to find the amount of wage or salary income you earned in New York State. Include this amount on line 1, in column A (or column B if filing status ③ was checked and your spouse's income is allocated).

If more than one amount included in the federal amount column of line 1 is to be allocated on Schedule A, a separate

schedule (similar to Schedule A) showing the working days that apply to each employment must be prepared for each amount and attached to your return. If the period of employment is less than a full year, the items entered on Schedule A must be based on the actual period of employment. For example, if you were employed inside and outside New York State for separate periods of 170 days by one employer and 195 days by another employer, enter 170 days and 195 days on line b of your separate allocation schedules.

If your income to be allocated depends entirely on the volume of business transacted, as in the case of a salesperson working on commission, do not use Schedule A. In this case, the amount of income you can allocate to New York State is that part of the income included in the federal amount column on line 1 which the volume of business transacted inside New York State bears to the total volume of business transacted both inside and outside New York State. The location where services or sales activities were actually performed determines where business was transacted. Attach a schedule to your return showing how you figured your New York State income based on the volume of business transacted. If you allocate your personal service income differently than explained above, attach a separate schedule showing complete details.

Line 2
Interest income

Enter in the federal amount column the interest income reported on your federal return. Enter on line 2, column A (and in column B if you checked filing status ③) the part of this interest income which is from the receipts of a business, trade, profession or occupation carried on in New York State and not otherwise exempt from New York State income tax. If you conduct business both inside and outside New York State, see instructions for line 6.

Line 3
Dividends (after exclusion)

Enter in the federal amount column the amount of dividends reported on your federal return after subtracting any allowable federal dividend exclusion. Enter in column A, or in applicable columns A and B if married and you checked filing status ③, the portion of your dividends (federal amount column) which is part of the receipts of a business, trade, profession or occupation carried on in New York State and not otherwise exempt from New York State income tax. See instructions for line 6 relative to the business allocation percentage if business is carried on both inside and outside New York State.

Any dividend exclusion allowable for federal tax purposes should be applied to the first qualifying dividends you received

during the year. In determining the amount of dividends to be included in column A or B on line 3. If you checked filing status ③ and if you are both entitled to a federal exclusion on your joint federal return, you may each claim only your own federal exclusion in figuring the amount of dividends you enter in your column.

Line 4
Taxable refunds of state and local income taxes

Enter in the federal amount column the total taxable state and local income tax refunds included as income on your federal return. Enter in column A (and in column B if you checked filing status ③) the amounts derived from or connected with New York State sources. Also enter these amounts on line 25.

Line 5
Alimony received

Enter in the federal amount column the total alimony received as reported on your federal return.

Line 6
Business income or (loss)

Enter in the federal amount column the amount included as business income or (loss) on federal Form 1040. Enter in column A (and column B, if you checked filing status ③) any amount included in the federal amount column which represents the profit (or loss) from a business or profession carried on in New York State. **Attach a copy of federal Schedule C.**

Business carried on — Your business, trade, profession or occupation (not including personal service as an employee) is considered to be carried on in New York State if you have, maintain, operate or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency or other place where your affairs are regularly carried on in New York State. This definition is not exclusive. Your business is considered to be carried on in New York State if it is transacted here with a fair measure of permanency and continuity.

Business carried on both inside and outside New York State — If your business or profession is carried on both inside and outside New York State and you maintain accounts clearly reflecting income from the New York operations, enter the net profit or loss from business carried on in New York State on line 6 in column A (and column B if you checked filing status ③).

If the New York State income of the business cannot be determined from your books, income from business carried on both inside and outside New York State must be allocated according to a prescribed formula or an approved alternative method. Form IT-203-A, *Nonresident Business Allocation Schedule*, containing the statutory formula and other instructions pertaining to the allocation of business income, must be completed for this purpose and attached to

Form IT-203. If you submit an alternative method of allocation, you must also complete Form IT-203-A and submit all information about your own method of allocation.

Line 7
Capital gain or (loss)
Enter in the federal amount column the net gain or (loss) from sale or exchange of property (including securities) exactly as reported on federal Form 1040. **Attach a copy of federal Schedule D.**

Capital transactions from New York sources — Include capital gains or losses derived from real or tangible personal property located within New York State, whether or not connected with a trade or business, and capital gains or losses from stocks, bonds and other intangible personal property used in or connected with a business, trade, profession or occupation carried on in New York State. Also included is your share of any capital gain or loss derived from New York sources of a partnership of which you are a member (from Form IT-204), an estate or trust of which you are a beneficiary (from Form IT-205 or IT-205-A) or an electing S corporation of which you are a shareholder (from Form CT-3S). If any capital gains or losses are from business property (other than real property) of a business carried on both inside and outside New York State, apply the business allocation percentage (Form IT-203-A) or alternate method in determining the New York capital gain or loss. Gains and losses from the sale or disposition of real property are not subject to allocation. In all cases, the federal basis of property is to be used in computing capital gains or losses.

Capital transactions — Figure the amount to be included on line 7, column A (and column B if you checked filing status ③), as net capital gain or loss from New York State sources in accordance with federal provisions for determining capital gains and losses. This includes a deduction for any capital loss carryover from New York State sources. Use a copy of federal Schedule D (Form 1040) as a worksheet in determining your New York net capital gains or loss, including in your computations only transactions which were from New York State sources. If you checked filing status ③, use separate worksheets to determine the amounts to enter in columns A and B. If these computations result in a net capital loss for New York State purposes, the loss is limited to \$3,000 (\$1,500 if married and filing separately) on the New York State return. In most cases, any balance of a 1986 net capital loss (in excess of the amount claimed on the 1986 return) will be treated as a carryover loss to be claimed on returns for later years. This does not always apply when a joint federal return and separate New York State returns are filed.

For example, if you had a long-term capital loss of \$2,500, and your spouse had a short-term capital gain of \$1,600, you report a net capital loss of \$450 on yd

joint federal income tax return. This net capital loss of \$450 is entered in the federal amount column of your New York return. After completing separate worksheets, you would enter a capital loss of \$1,250 in your column and a capital gain of \$1,600 in your spouse's column. Since the joint net capital loss of \$450 is deductible on your joint federal return for 1986, there is no capital loss carryover to 1987, whether joint or separate federal returns are filed for 1987. Since the capital loss carryover is the same for both federal and state purposes, no capital loss carryover can be deducted for the 1987 taxable year, even if you and your spouse file separate state returns.

Minimum income tax — If 60% of your net capital gain from New York State sources was more than the allowable specific deduction, you must file Form IT-220, *Minimum Income Tax*, even if you do not have to file federal Form 6251, *Alternative Minimum Tax Computation*. For more information, see instructions for Form IT-220.

Line 8 40% of capital gain distributions

Enter the amount reported on your federal return in the federal amount column. Enter in column A (and column B if you checked filing status ③) amounts derived from or connected with New York State sources and subject to New York State tax.

Line 9 Other gains or (losses)

Figure the amount(s) to be included on line 9, column A (and in column B if you checked filing status ③) as the gain or loss from the sale or exchange of noncapital assets by applying the federal provisions for determining gains or losses from the sale or exchange of other than capital assets to your New York State transactions. Attach a copy of federal Form 4797.

Noncapital transactions from New York State sources are those noncapital transactions includable in your federal return pertaining to property used in connection with a trade, business, profession or occupation carried on in New York State. Also included is your share of any noncapital gain or loss from a partnership of which you are a member (from Form IT-204) or an estate or trust of which you are a beneficiary (from Form IT-205 or IT-205-A) or an electing New York State corporation of which you are a shareholder (from Form CT-3S). Use Form IT-203-A if allocation is required.

Line 10 Fully taxable pensions, IRA distributions and annuities

Enter in the federal amount column the amount reported on your federal return. Enter in Column A (and column B if you checked filing status ③) amounts derived from or connected with New York State sources and subject to New York State tax.

See the instructions for line 28 on page 13 for information regarding the pension and annuity income exclusion.

Line 11

Taxable amount of other pensions and annuities, including rollovers

Enter in the federal amount column the total amount as reported on federal Form 1040 or on any related federal schedules.

Enter in column A (and column B if you checked filing status ③) the portion of the federal amount derived from or connected with New York State sources.

Annuity income — Include on line 11 in column A (and column B if you checked filing status ③) the part of your annuity income which is part of the receipts of a business, trade, profession or occupation carried on in New York State. See instructions for line 6 (and Form IT-203-A) regarding the business allocation percentage if business is carried on both inside and outside New York State.

Lines 12 and 13

Rents, royalties, partnerships, estates, trusts, and S corporations

Enter in the federal amount column the total amount from these sources as reported on federal Form 1040 or on any related federal schedules.

Enter in column A (and column B if you checked filing status ③) the portion of the federal amount derived from or connected with New York State sources, considering the instructions below relating to each type of income. **Attach a copy of federal Schedule E.**

Rent and royalty income — Include in the amount you report on line 12 in column A (and column B if you checked filing status ③) rents and royalties from (1) real property located in New York State whether or not used in or connected with a business, (2) tangible personal property not used in a business if such property is located in New York State and (3) tangible and intangible personal property used in or connected with a business, trade, profession or occupation carried on in New York State.

If a business is carried on both inside and outside New York State, apply the business allocation percentage (Form IT-203-A) or alternate method. To items included in (3) in the preceding paragraph to determine the income from New York State sources.

However, do not allocate income from real property. That income must be entirely included if the real property is located in New York State and entirely excluded if the real property is located outside New York State.

Include in the amount you report on line 12 in column A (and column B if you checked filing status ③) your share of any rental or royalty income from a partnership of which you are a member (from Form IT-204) or an estate or trust of which you are a beneficiary (from Form IT-205 or IT-205-A).

Partnerships — Your distributive share of partnership income to be included in the amount

reported on line 13 in column A (and column B if you checked filing status ③) must be obtained from Form IT-204. If your distributive share includes any other items of partnership income taxable to a nonresident, those items must be included elsewhere in column A (and column B if you checked filing status ③) on the appropriate lines. For example, your share of a partnership New York capital gain would be included in determining the amount to be reported on line 7.

Estates and trusts — Your share of estate or trust income from New York State sources must be obtained from Form IT-205 or from Form IT-205-A. If your share includes any items of taxable estate or trust income from New York State sources not reportable on line 13, those items should be included elsewhere in column A (and column B if you checked filing status ③) on the appropriate line describing that income.

S corporation shareholders — Your pro rata share of an electing New York S corporation's items of income and loss must be obtained from Form CT-3S, *S Corporation Information Report*. If your share includes any other items of income, such as dividends or capital gains, those items must be included elsewhere in column A (and column B if you checked filing status ③) on the appropriate lines. If the corporation carried on business both inside and outside New York State, the corporation's business allocation percentage, determined under Article 9-A, must be used to figure the amount of your income or loss that was derived from or connected with New York State sources.

Line 14 Farm income or (loss)

Enter in the federal amount column the amount of farm income or (loss) reported on federal Form 1040, and attach a copy of your federal Schedule F.

Enter in column A (and column B if you checked filing status ③) the profit or loss from farming carried on in New York State. The instructions for reporting business income (line 6), including the instructions for reporting when business is carried on both inside and outside New York State, also apply to reporting farm income.

Line 15 Taxable amount of unemployment compensation (insurance)

Enter the taxable amount reported on your federal return in the federal amount column. Enter in column A (and column B if you checked filing status ③) the amount of taxable unemployment compensation derived from or as the result of employment in New York State.

If the unemployment compensation received from New York State sources is based on wage or salary income earned partly inside and partly outside New York State, figure the amount allocable to New York State in the same manner as the wage and salary income on which it is based.

If you checked filing status (3) and only one of you received taxable unemployment compensation, enter the amount in the column of the spouse who received it. If you both received taxable unemployment compensation, figure the amount to enter in each spouse's column using the following formula:

$$\frac{E}{B} \times F = N$$

where E is unemployment compensation received by each spouse, B is unemployment compensation received by both spouses, F is federal taxable unemployment compensation and N is New York taxable unemployment compensation for each spouse.

Example — You and your spouse both worked 100% of the time in New York State. You received \$5,500 and your spouse received \$5,000 of unemployment compensation. The combined amount of your taxable unemployment compensation for federal income tax purposes is \$1,250. The amount of taxable unemployment compensation each of you must report for New York State income tax purposes is figured as follows:

You: $\frac{\$5,500}{\$10,500} \times \$1,250 = \655

Your Spouse: $\frac{\$5,000}{\$10,500} \times \$1,250 = \595

Line 16

Taxable amount of social security benefits

Enter in the federal amount column the taxable amount of social security or tier 1 railroad retirement benefits that you reported on your federal return. Do not enter any amounts in columns A or B.

Line 17

Other income

Enter in the federal amount column the amount of other income as reported on federal Form 1040. Enter in column A (and column B if you checked filing status (3)) the amount derived from or connected with New York State sources.

If you have a New York net operating loss (without a corresponding federal net operating loss) that you are carrying forward to 1986, enter the amount of the loss in column A (and column B if you checked filing status (3)) on line 17 as a minus amount. Attach a statement explaining the loss.

Line 18

Total

Add lines 1 through 17 of each column, and enter the totals on line 18.

Line 19

Total federal adjustments to income

Enter in the federal amount column the total adjustments as reported on federal Form 1040, line 31. These include employee business expenses, IRA deduction and deduction for a married couple when both work, as well as others.

Write each adjustment and its amount in the white area on line 19. If more room is needed, make a list showing each adjustment and its amount and attach the list to your New York return.

If you checked filing status (3), enter the total of your own adjustments in columns A and B as if you had each filed a separate federal return. Write each adjustment, its amount and "A" or "B" (for the column of entry) in the white area on line 19. If more room is needed, make a list for each spouse showing your own adjustments, amounts and column of entry as if you had each filed a separate federal return. Attach these lists to your return. Enter in column A (and column B if you checked filing status (3)) the part of the federal amount which represents adjustments connected with income from New York State sources.

The adjustment for a married couple when both work can only be claimed if the income on which the adjustment is figured is from New York State sources.

Caution: The deduction for a married couple when both work cannot be claimed on separate New York State returns. If you checked filing status (3), do not include this deduction in your line 19 amount for column A or B.

The spousal IRA deduction allowed on your joint federal return will be allowed on the nonworking spouse's separate New York return. Each spouse's deduction must equal the amount contributed to his or her own account.

The following formula must be used to figure the deduction allowed for alimony:

$$\frac{\text{*Column A, line 32 (without alimony deduction)}}{\text{Federal amount column, line 32 (without alimony deduction)}} \times \text{federal alimony deduction} = \text{New York alimony deduction}$$

*If you checked filing status (3), line 32 of column A must be added to line 32 of column B when figuring the New York alimony deduction.

Any adjustment item that relates to wage or salary income earned only partly inside New York State or to income from a business which is carried on both inside and outside New York State must be allocated to New York State on the same basis as the income to which it relates.

Example 1 — On your joint federal return, you claim a deduction of \$1,200 for a married couple when both work, based upon your wages of \$12,000. If all of your wages were earned in New York State, you can also claim a \$1,200 deduction on your joint New York State return. (No deduction is allowed if you and your spouse file separate New York State returns.) If only 50% of your wages were earned in New York State, your deduction is limited to 50% of \$1,200, or \$600. A deduction cannot be claimed if none of your wages were earned in New York State.

Example 2 — You are allowed an adjustment of \$800 on your federal return for payments

by a self-employed person to a retirement plan and these payments were made in connection with a business you operated both inside and outside New York State. If, in determining your business income from New York State sources, you figure your business allocation percentage to be 75% (see instructions for line 6), then 75% of this adjustment, or \$600, should be included in column A on line 19.

Line 20

Total Income

Subtract line 19 from line 18 in each column and enter the result on line 20.

New York Adjustments/ Total New York Income

Enter on lines 21 through 31 any of the listed additions to or subtractions from your total income. For more information on additions and subtractions, see Publication 382, *How to Figure Your New York Additions and Subtractions*.

The additions and subtractions that you enter in the federal amount column are to be figured as if you were a New York State resident. Enter in column A the part of each amount in the federal amount column that is derived from or connected with New York State sources.

If the items are not income, gains, losses or deductions from New York State sources, enter them in the federal amount column **only**. The items that you would enter **only** in the federal amount column are on line 23 (items A-19 through A-22), line 26, line 27 and line 30 (items S-16 through S-24).

If you checked filing status (3), enter you and your spouse's additions and subtractions, derived from or connected with New York State sources, in columns A and B.

Partners — If you have income from a partnership, include any New York additions and subtractions which apply to that income. Determine your share of partnership additions and subtractions from the partnership return, Form IT-204.

Beneficiaries (estates and trusts) — If you have income from an estate or trust, any New York additions and subtractions which apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment. If the adjustment is a net addition, enter this amount on line 23. If the adjustment is a net subtraction, enter this amount on line 30. Identify this item as a *fiduciary adjustment*.

S corporation shareholders — If you are a nonresident and a shareholder of an electing New York S corporation, your federal adjusted gross income must be adjusted by your pro rata share of any of the following additions or subtractions that relate to your pro rata share of S corporation items of income, loss or deduction derived from or connected with New York State sources. Additions A-19 and A-20 and subtraction S-18 do not apply to you since they apply only to non-electing S corporations. If the election to treat the corporation as a New York S corporation terminated during the taxable year, you must allocate those items (see Publication 382 for more information). Obtain your share of S corporation items of income, loss and deduction from the S corporation Form CT-3S.

If you are a shareholder of a federal S corporation that did not elect to be a New York S corporation, include additions A-19 and A-20 and subtraction S-18 in the federal amount column only. If you were not eligible to make this election to treat your corporation as a New York S corporation because the corporation was not subject to Article 9-A franchise tax, include any of the following additions and subtractions that apply to your pro rata share of S corporation items of income, loss or deduction in the federal amount column only. Additions A-17, A-19, A-20 and A-21, and subtractions S-18 and S-23 do not apply to you since they apply only to electing and non-electing New York S corporations.

New York Additions

The additions on lines 21 and 22 and items A-1 through A-17 on line 23 are income items from New York State sources only to the extent that such items are attributed to a business, trade, profession or occupation carried on in New York State or are from real or tangible personal property located in New York State. Apply your business allocation percentage from Form IT-203-A to those additions (except real property items) that are part of the receipts of a business carried on both inside and outside New York State. Include your figures from Form IT-203-A on the appropriate lines.

Line 21

Interest income on state and local bonds other than New York State

Enter any interest income on state and local bonds (except those of New York State and its political subdivisions) that you received or that was credited to you during 1986, if not included in your federal adjusted gross income.

Line 22

Accelerated cost recovery system (ACRS) deduction

Enter your accelerated cost recovery system (ACRS) deduction from Form IT-399, line 1, column G (Section 612(b)(25)

118 Tax Law). This adjustment must be for property placed in service during

taxable years beginning in 1981, 1982, 1983 and 1984. It also must be made for property placed in service outside New York State in taxable years beginning after December 31, 1984, except for recovery property subject to the provisions of Section 280F of the Internal Revenue Code (such as luxury automobiles). Also, see the instructions for line 29 on page 14 of this booklet.

Line 23

Other additions

Identify any of the following additions that apply to you by writing the item number and the amount of each addition in the white area on line 23. If you checked filing status (3), enter the total of your other additions in column A and the total of your spouse's additions in column B. All others use column A only.

A-1 Interest or dividend income received by you or credited to you during 1986 on bonds or securities of any United States authority, commission or instrumentality that federal laws exempt from federal income tax but not from state income taxes (Section 612(h)(2) of the Tax Law).

A-2 Income taxes that were deducted from your federal gross income in figuring your federal adjusted gross income (Section 612(b)(3) of the Tax Law). For example, if you operated a business and deducted income taxes on your federal return as an expense of doing business, include these taxes on line 23.

Partners — Include on line 23 your distributable share of income taxes deducted in figuring net income.

A-3 Professional service corporation shareholder

— Certain employee benefits you received if you were a shareholder of a professional service corporation (including shareholders of professional service corporations organized outside New York State but authorized to conduct business in New York State under Article 15-A of the Business Corporation Law). These benefits include certain corporate contributions to pension, employee annuity, stock bonus, profit sharing or bond purchase plans in excess of \$15,000 or 15% of earned income, whichever is less. They also include 5.70% of your wages from the corporation, that are subject to social security taxes, and certain corporate contributions to purchase life insurance, accident or health insurance policies for you (Section 612(b)(7), (8) and (9) of the Tax Law).

Note: Professional service corporations are required by law to furnish each shareholder with Form IT-2102.1-PC, *Professional Service Corporation Information Return*, reporting payments of the above benefits.

A-4 Interest expense on loans used to buy bonds and securities (whose interest income is exempt from New York State tax) if you made a deduction for this interest expense in figuring your federal adjusted gross income. Also include on line 23 amortization of bond premiums whose interest income is exempt

from New York State tax and expenses relating to income exempt from New York State tax, if you made a deduction in figuring your federal adjusted gross income (Sections 612(b)(4) and (5) of the Tax Law).

A-5 The amount of special additional mortgage recording tax that was excluded or deducted in figuring your federal adjusted gross income (Section 612(b)(15) of the Tax Law). For information about the special additional mortgage recording tax credit, see *Instructions for Form IT-203-ATT*, line 4, on page 22 of these instructions.

A-6 The amount of special additional mortgage recording tax you paid when the property for which the tax was paid is sold or disposed of at a gain or loss and the basis of such property was not adjusted for the special additional mortgage recording tax credit (Section 612(b)(16) of the Tax Law). If the gain was considered a long term capital gain for federal income tax purposes, include on line 23 only 40 percent of the special additional mortgage recording tax credit you claimed. If the loss was considered a long-term capital loss for federal income tax purposes, include on line 23 only 50 percent of the special additional mortgage recording tax credit you claimed.

A-7 Any amount that has to be added to your federal adjusted gross income if you made an election under the Tax Law for additional depreciation or research and development expenditures, waste treatment facility expenditures, air pollution control equipment expenditures or acid deposition control equipment (Section 612(b)(6) of the Tax Law). See subtraction items S-9 and S-10 on page 14 of these instructions.

A-8 Any deduction for percentage depletion on mines, oil and gas wells and other natural deposits made in figuring your federal adjusted gross income (Section 612(b)(10) of the Tax Law). See subtraction item S-8 on page 14 of these instructions.

A-9 Any gain which would have been realized for New York State tax purposes from the sale or other disposition of property acquired from a decedent and valued by the executor under New York State Tax Law because the estate had an insufficient amount of assets to require the filing of a federal estate tax return (Section 612(b)(17) of the Tax Law).

A-10 PASS Funds — 110 percent of the value of the assets of a higher education (PASS) fund terminated during 1986, from Form IT-270, line 26. For more information on PASS funds, see Publication 320, *Tuition Deduction and the PASS Plan*.

A-11 Beneficiaries (PASS funds) — If you were a beneficiary of a PASS fund and you received distributions from it, include in your total New York income 20 percent of the total amount you received from the fund in each of the 5 consecutive years following the completion of your higher education (Section 612(b)(14) of the Tax Law). For more information on PASS funds, see Publication 320.

A-12 New business investment-deferral recognition — The amount of capital gain deferred on the sale of a capital asset if the new business investment property is sold and the proceeds are **not** reinvested again in a New York new business within 12 months (Section 612(b)(22) of the Tax Law). If only a part of the proceeds was reinvested anew, see Publication 382 for information on figuring your addition.

A-13 Safe harbor leases — The amount that was deducted in figuring your federal adjusted gross income (except for mass transit vehicles) solely because of an election made under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984 (Section 612(b)(23) of the Tax Law).

A-14 Safe harbor leases — Any amount that would have been included in federal adjusted gross income (except for mass transit vehicles) had the election under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, **not** been made (Section 612(b)(24) of the Tax Law).

A-15 Accelerated cost recovery property — Year of disposition adjustment — In the year that you dispose of property, the amount by which the total depreciation allowed for New York State purposes is greater than your total federal accelerated cost recovery deductions on that property (Section 612(b)(27) of the Tax Law). Use Form IT-399, *New York State Depreciation*, to figure your adjustment. See subtraction S-16 on page 14 of these instructions.

A-16 Tax on petroleum businesses — The amount of gross receipts tax imposed on petroleum businesses under Article 13-A of the Tax Law that was deducted in figuring your federal adjusted gross income (Section 612(b)(28) of the Tax Law).

A-17 S corporation shareholders — If you are a shareholder of an S corporation for which the election to be a New York S corporation is in effect for the taxable year, your pro rata share of the corporation's reductions for taxes described in Section 1366(f)(2) and (3) of the Internal Revenue Code. If such reductions relate to the determination of a federal net capital gain, include only 40 percent of the reductions (Section 612(b)(18) of the Tax Law).

A-18 Solar and wind energy systems — The amount of New York State solar and wind energy credit you claimed for residential property later sold or disposed of at a gain if the basis of that property included the cost of your energy system (Section 606(g) of the Tax Law). If the gain was considered a long term capital gain for federal income tax purposes, include on line 23 only 40 percent of the credit you claimed.

Addition items A-19 through A-22 apply only to the federal amount column since the income to which these items relate is not regarded as being derived from

New York State sources. Do not include these items in columns A or B.

A-19 S corporation shareholders — If you are a shareholder of an S corporation for which the election to be a New York S corporation was **not** in effect for the taxable year, any S corporation loss or deduction taken into account in figuring your federal adjusted gross income pursuant to Section 1366 of the Internal Revenue Code. If such loss or deduction affects the determination of a federal net capital gain, include only 40 percent of the loss or deduction (Section 612(b)(19) of the Tax Law).

A-20 S corporation shareholders — S corporation distributions not included in federal adjusted gross income due to the application of Sections 1368, 1371(e) or 1379(c) of the Internal Revenue Code, and not previously subject to New York personal income tax because the election to be a New York S corporation was **not** in effect. Any capital gain arising from such distributions must be treated as ordinary income for purposes of this adjustment (Section 612(b)(20) of the Tax Law). The Internal Revenue Code sections mentioned above refer to distributions, cash distributions during post-termination transition period and distributions of undistributed taxable income, respectively.

A-21 S corporation shareholders — Where gain or loss is recognized on a shareholder's federal income tax return due to the disposition of stock or indebtedness of an S corporation that did not have an election to treat the corporation as a New York S corporation in effect for any taxable year beginning after December 31, 1980, the increase in basis of stock or indebtedness due to the application of Sections 1376(a) (as it was in effect for taxable years beginning before January 1, 1983) and 1367(a)(1)(A) and (B) of the Internal Revenue Code for each taxable year that the New York election was **not** in effect. If such disposition affects the determination of a federal net capital gain, include only 40 percent of the federal increase in basis (Section 612(b)(21) of the Tax Law). The Internal Revenue Code sections mentioned above refer to S corporation undistributed taxable income and its S corporation income, respectively, that was required to be included in the shareholder's federal adjusted gross income.

A-22 Amounts required under the Tax Law relating to your distributive or pro rata share of allocated entire net income, or your distributive or pro rata share of loss included in your federal adjusted gross income, from an insurance business operating as a member of the New York Insurance Exchange (Section 617 a of the Tax Law). See subtraction S-24 on page 15 of these instructions.

Line 24

Total additions

Add lines 20 through 23 and enter the total on line 24.

New York Subtractions

Line 25

Taxable refunds of state and local income taxes

Enter the amount of any taxable refund or credit for overpayment of income tax included on line 4.

Line 26

Taxable social security benefits

Enter, in the federal amount column only, the taxable amount of social security and tier 1 railroad retirement income included on line 16.

Line 27

Interest income on United States government bonds

Enter any interest income on bonds or other obligations of the United States government that you included in your federal adjusted gross income. Since this income is not considered to be derived from New York State sources, include this subtraction in the federal amount column only.

Line 28

Pension and annuity income exclusion

If you were age 59½ before January 1, 1986, enter the qualifying pension and annuity income included in your 1986 federal adjusted gross income, **but not more than \$20,000**. If you became 59½ during 1986, enter only the amount received after you became 59½, but not more than \$20,000. Do **not** enter any pension income that you received from New York State or its political subdivisions here; see the instructions for line 30, subtraction S-20 on page 15.

Caution — If you are also claiming the disability income exclusion, the total of your pension and annuity income exclusion and disability income exclusion cannot exceed \$20,000. If married, the total of each spouse's pension and annuity income and disability income exclusions cannot exceed \$20,000. You cannot claim any unused part of your spouse's exclusions.

Qualifying pension and annuity income:

- Periodic payments for services you performed as an employee before you retired.
- Periodic and lump sum payments from an IRA, but **not** payments derived from contributions made after you retired.
- Periodic payments from an HR-10 (Keogh) plan, but **not** payments derived from contributions made after you retired.
- Lump sum payment from an HR-10 (Keogh) plan, but only if the federal special 10-year averaging method is not used. Do **not** include the part of your payment that was derived from contributions made after you retired.

If you and your spouse both qualify, each of you can subtract up to \$20,000 of your own pension and annuity income. However, you cannot claim any unused part of your spouse's exclusion. If you received the pension and annuity income of a decedent, you may make this subtraction if the

decendent would have qualified to make this subtraction at the time of their death. If the pension and annuity income is based upon services performed inside and outside of New York State, it is taxable to the extent that services were performed in New York State. If the pension and annuity income is allocable, then the \$20,000 exclusion must also be allocated using the same basis.

Line 29

New York State depreciation

Enter your total New York State depreciation from Form IT-399, line 1, column F (Section 612(c)(26) of the Tax Law). This adjustment must be made for property placed in service during taxable years beginning in 1981, 1982, 1983 and 1984. It also must be made for property placed in service outside New York State in taxable years beginning after December 31, 1984, except for recovery property subject to the provisions of Section 280F of the Internal Revenue Code (such as luxury automobiles).

Also, see the instructions for line 22 on page 12 of these instructions.

Line 30

Other subtractions

Identify any of the following subtractions that apply to you by writing the item number and the amount of each subtraction in the white area on line 30. Enter your total other subtractions on line 30 in column A. If you checked filing status **(3)**, enter the total of your own subtractions in column A and the total of your spouse's subtractions in column B. Apply your business allocation percentage from Schedule IT-203-A to those subtractions (except real property items) that are part of the receipts of a business carried on both inside and outside of New York State. Include your figures from Schedule IT-203-A on line 30.

S-1 Interest expense on money borrowed to purchase or carry bonds or securities the income from which is subject to New York State income tax but exempt from federal income tax, provided this interest was a 1986 business expense and was not deducted in figuring your federal adjusted gross income (Section 612(c)(9) of the Tax Law).

S-2 Ordinary and necessary business expenses paid or incurred during 1986 in connection with income, or property held to produce income, that is subject to New York State income tax but exempt from federal income tax, provided these expenses were not deducted in arriving at your federal adjusted gross income (Section 612(c)(10) of the Tax Law).

S-3 Amortization of bond premium attributable to 1986 on any bond, whose interest income is subject to New York State income tax but exempt from federal income tax, provided this amortization was a 1986 business expense and was not deducted in figuring your federal adjusted gross income (Section 612(c)(10) of the Tax Law).

S-4 The amount necessary to prevent taxation of amounts properly included in total New York income in prior taxable years by a shareholder of a professional service corporation (Section 612(c)(12) of the Tax Law).

S-5 The amount of wages and salaries paid or incurred during the taxable year for which a salaries deduction is not allowed with regard to claiming the federal targeted jobs credit (Section 612(c)(15) of the Tax Law).

S-6 The part of any gain included in your federal adjusted gross income for the sale or other disposition of (1) property which had a higher basis for New York State income tax purposes than for federal income tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960) and (2) property held in connection with mines, oil or gas wells, and other natural deposits which has a higher adjusted basis for New York State income tax purposes than for federal income tax purposes, which does not exceed this difference in basis. If the gain was considered a long-term capital gain for federal income tax purposes, the subtraction is limited to 40 percent of that part of the gain. If the gain on the sale or other disposition of jointly owned property was divided between you and your spouse on your state return, any subtraction due to a higher New York than federal basis must also be divided (Sections 612(c)(4) and 612(c)(13) of the Tax Law). Subtraction (1) above for higher New York State basis does not apply to property acquired after December 31, 1959 (or after the last day of a fiscal year ending during 1960).

S-7 Any amount of income (including annuity income) or gain included in your federal adjusted gross income which was properly reported as income or gain on a prior New York State return filed under former Article 16 of the Tax Law by you or a decedent, an estate or trust from which you acquired this income or gain (Section 612(c)(5) of the Tax Law).

S-8 Cost depletion figured according to federal tax law on property where percentage depletion was added on line 23 (Section 612(c)(13) of the Tax Law). See addition A-8 on page 12 of these instructions.

S-9 Special depreciation or research expenditures in connection with depreciable, tangible business property located in New York State (Section 612(c)(11) of the Tax Law). For more information, see Form IT-211, *Special Depreciation and Expenditure Schedule*, and instructions. Also see addition A-7 on page 12 of these instructions.

S-10 Expenditures in connection with waste treatment facilities, air pollution control equipment or acid deposition control equipment. This subtraction applies only to depreciable, tangible business property located in New York State and certified under the provisions of the Environmental Conservation Law (Section 612(c)(11) of the Tax Law). This subtraction cannot be made if subtraction

S-9 was made. Also, see addition A-7 on page 12 of these instructions.

S-11 Any loss that would have been realized for New York State tax purposes, from the sale or other disposition of property acquired from a decedent and valued by the executor under New York State Tax Law because the estate had an insufficient amount of assets to require the filing of a federal estate tax return (Section 612(c)(19) of the Tax Law).

S-12 New business investment exclusion — The amount of gain to be subtracted from the sale of a New York new business investment which was included in your federal adjusted gross income (Section 612(c)(20) of the Tax Law).

S-13 New business investment deferral — The amount of a capital gain on the sale of a capital asset that was reinvested in a New York new business within one year from the date the property was sold (Section 612(c)(23) of the Tax Law). For more information, including how to figure your subtraction, see Publication 382.

S-14 Safe harbor leases — Any amount that was included in federal adjusted gross income (except for mass transit vehicles) solely because of an election made under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, (Section 612(c)(24) of the Tax Law).

S-15 Safe harbor leases — Any amount that could have been excluded from federal adjusted gross income (except for mass transit vehicles) had the election under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, not been made (Section 612(c)(25) of the Tax Law).

S-16 Accelerated cost recovery property — Year of disposition adjustment — In the year that you dispose of property, the amount by which your total federal accelerated cost recovery deductions were greater than the total depreciation you took for New York State purposes on that property (Section 612(c)(28) of the Tax Law). Use Form IT-399, *New York State Depreciation*, to figure your adjustment. See addition A-15 on page 13 of these instructions.

S-17 Disability income exclusion — Any amount that could have been excluded from federal adjusted gross income based on Section 105(d) of the Internal Revenue Code as it was in effect prior to January 1, 1984. However, the sum of disability income excluded and pension and annuity income excluded may not exceed \$20,000. (Section 612(c)(3-b) of the Tax Law). Use Form IT-221, *Disability Income Exclusion* to figure your disability income exclusion and attach it to your return.

Note — If you claim this exclusion, you must also complete the physicians statement located at the bottom of Form IT-221.

Subtraction items S-18 through S-24 apply only to the federal amount column since the income to which these items relate is not regarded as being derived from New York State sources. Do not include these items in columns A or B.

S-18 S Corporation Shareholders — If you are a shareholder of an S corporation for which the election to be a New York S corporation was **not** in effect for the taxable year, any S corporation income included in federal adjusted gross income pursuant to Section 1366 of the Internal Revenue Code. If such income affects the determination of a federal net capital gain, the subtraction is limited to 40 percent of the income (Section 612(c)(22) of the Tax Law).

S-19 Interest or dividend income on bonds or securities of any United States authority, commission or instrumentality included in your federal adjusted gross income but exempt from state income taxes under federal laws (Section 612(c)(2) of the Tax Law).

S-20 Any pension you received as a retired officer or employee of New York State or its political subdivisions (towns, cities, etc.) that was included in your federal adjusted gross income, and any pensions you received as a beneficiary of a deceased officer or employee of New York State or its political subdivisions (Section 612(c)(3) of the Tax Law).

S-21 The amount of supplemental annuity and tier 2 benefits received under the Railroad Retirement Act of 1974 and the amount of Railroad Unemployment Insurance Act benefits that were included in your federal adjusted gross income but exempt from state income taxes under Title 45 of the United States Code.

S-22 Any interest or dividend income included in your federal adjusted gross income on bonds or securities that is exempt from New York State income taxes (Section 612(c)(6) of the Tax Law).

S-23 S corporation shareholders — Where a gain or loss is recognized on a shareholder's federal income tax return due to the disposition of stock or indebtedness of an S corporation that did not have an election to treat the corporation as a New York S corporation in effect for any taxable year beginning after December 31, 1980, the reduction in basis of stock or indebtedness due to the application of Sections 1376(b) (as it was in effect for taxable years beginning before January 1, 1983) and 1367(a)(2)(B) and (C) of the Internal Revenue Code for each taxable year that the New York election was **not** in effect. If such disposition affects the determination of a federal net capital gain, the subtraction is limited to 40 percent of the federal reduction in basis.

Also, the amount of any additions to federal adjusted gross income under Section 612(b)(20) of the Tax Law (see addition A-19 on page 13 of these instructions) that were made with respect to the stock described above (Section 612(c)(21) of the Tax Law).

The Internal Revenue Code sections mentioned above refer to the shareholder's pro rata share of S corporation net operating loss and S corporation loss and deduction, respectively, that was required to be taken into account in figuring the shareholder's federal adjusted gross income.

S-24 Any amount included in your federal adjusted gross income which is your distributive or pro rata share of income or gain from an insurance business operating as a member of the New York Insurance Exchange (Section 617-a of the Tax Law). See addition A-22 on page 13 of these instructions.

Line 31

Total subtractions

Add lines 25 through 30 and enter the total.

Line 32

Total New York income

Subtract line 31 from line 24 and enter the result.

You do not owe any New York State tax if you were a New York State nonresident for the **entire taxable year** and if you checked:

- filing status ① and your Form IT-203, line 32, federal amount is \$4,000 or less; or
- filing status ② or ⑤ and your Form IT-203, line 32, federal amount, is \$8,000 or less; or
- filing status ③ or ④ and your **combined** Form IT-203, line 32, federal amounts are \$8,000 or less.

If you meet any of these conditions, skip lines 33 through 56 and enter "0" on lines 57, 60, 61 and 62. Also, enter in the box on line 47 the same number of exemptions you claimed on your federal return. Then continue on line 58.

Line 33

Enter the amount(s) from page 1, line 32, columns A and B only.

NY Itemized Deduction

You may pay less tax if you can claim the New York itemized deduction. **Your New York itemized deduction is not limited to \$2,600, if single, or \$3,000 if you checked any other filing status.** You can claim the New York itemized deduction only if you itemized deductions on your federal return. However, if your New York itemized deduction is **less** than your allowable standard deduction, you should claim the standard deduction. If you are married and filing separately (filing status ③ or ④), you can claim the New York itemized deduction only if you itemized deductions on your federal return(s) and both of you elect to claim the New York itemized deduction. Otherwise, both of you must claim the New York standard deduction. For more information on the New York Standard deduction, see the instructions for line 45 on page 16.

If you did not itemize deductions on your federal return, you must claim the New York standard deduction; skip lines 34 through 44 and continue on line 44a.

Lines 34 through 39

Enter on each line the total of each group of itemized deductions (medical and dental, taxes, etc.) exactly as you reported them on your federal Schedule A, (Form 1040), *Itemized Deductions*.

If you checked filing status ③, fill in lines 34 through 39 showing total amounts for both spouses.

Line 40

Add lines 34 through 39 and enter the total.

Line 41

State, local and foreign income taxes included on line 35

Enter the amount of any state, local and foreign income taxes included as an itemized deduction on line 35.

Exception for City of NY nonresident earnings tax — If you included the City of New York nonresident earnings tax on line 35, you do **not** have to include on line 41 the difference between the City of New York nonresident earnings tax on wages figured at the old rate (0.25%) and the tax figured at the current rate (0.45%). To figure the amount you have to include on line 41, multiply your City of New York taxable wages (from Form NYC-203, line 3) by .0020 and subtract it from your state, local and foreign income tax deduction included on line 35.

Example: Your line 35 amount includes your City of New York nonresident earnings tax as well as other state, local and foreign income taxes, for a total income tax deduction of \$1,000. Your taxable wages from Form NYC-203, line 3 are \$16,000. Multiply \$16,000 by .0020 which equals \$32, the amount you do **not** have to include on line 41. Then subtract \$32 from \$1,000 to find the difference of \$968, the amount to enter on line 41.

The above also applies to the City of New York nonresident earnings tax on net earnings from self-employment. The amount you do **not** have to include on line 41 is the difference between the tax figured at the old rate (0.375%) and the tax figured at the current rate (0.65%). To figure the amount you have to include on line 41, multiply your City of New York taxable net earnings from self-employment (Form NYC-203, line 7) by .00275 and subtract it from your state, local and foreign income tax deduction included on line 35.

Line 42

Subtract line 41 from line 40 and enter the result.

Line 43

Other adjustments

On a separate sheet marked "Line 43 — Other Adjustments," identify by item letter any of the following other adjustments that apply **121**

you, show the amount of each adjustment, and attach this sheet to your return. Enter only the net addition or net (subtraction) amount on line 43.

Partners — Include on line 43 the additions and subtractions described below that apply to your share of partnership deduction items (if not included in your New York additions and subtractions on page 1 of your New York State return). Determine your share of partnership items from the partnership return, Form IT-204.

S corporation shareholders— If you are a shareholder of a federal S corporation for which the election to treat the corporation as a New York S corporation was in effect for the taxable year or if you were not eligible to make the election to treat your corporation as a New York S corporation because the corporation is not subject to Article 9-A franchise tax, include on line 43 additions A through C and subtractions D through G, described below, that apply to your pro rata share of S corporation items of income, loss or deduction. If the election to be a New York S corporation terminated during the taxable year, you must allocate these items (see Publication 382, *How to Figure Your New York Additions and Subtractions*, for more information). Obtain your share of S corporation items from the S corporation's Form CT-3S.

If you are a shareholder of a federal S corporation that did not elect to be a New York S corporation, include subtraction H only.

Additions

- A** Interest expense on money borrowed to purchase or carry bonds or securities subject to New York income tax but exempt from federal income tax, if this interest expense was not deducted on your federal return or shown as a New York subtraction on page 1 of your New York State return. This addition may be made if the income from these bonds or securities is taxable to a New York State resident.
- B** Ordinary and necessary expenses paid or incurred during 1986 in connection with income, or property held for the production of income, which is subject to New York income tax but exempt from federal income tax, if these expenses were not deducted on your federal return or shown as a New York subtraction on page 1 of your New York State return. These additional expenses are allowed if the income is taxable to a New York State resident.
- C** Amortization of bond premium attributable to 1986 on any bond whose interest income is subject to New York income tax but exempt from federal income tax, if this amortization was not deducted on your federal return or shown as a New York subtraction on page 1 of your New York State return. This addition may be made if the interest from the bond is taxable to a New York State resident.

Subtractions

- D** Interest expense on money borrowed to purchase or carry bonds or securities whose income is exempt from New York income tax. You do not have to make this subtraction if the income from the bonds or securities is taxable to a New York State resident.
- E** Ordinary and necessary expenses paid or incurred in connection with income, or property held for the production of income, which is exempt from New York income tax. You do not have to make this subtraction if the income is taxable to a New York State resident.
- F** Amortization of bond premium attributable to 1986 on any bond, whose interest income is exempt from New York income tax. You do not have to make this subtraction if the interest from the bond is taxable to a New York State resident.
- G** Your distributive or pro rata share of deductions from an insurance business operating as a member of the New York Insurance Exchange (Section 617-a of the Tax Law).
- H** If you are a shareholder of a federal S corporation that did not elect to be a New York S corporation, any S corporation deductions included in your federal itemized deductions. If an S corporation short year is involved, you must allocate those deductions (see Publication 382, *How To Figure Your New York Additions and Subtractions*, for more information).

Line 44

NY itemized deduction

If line 43 is an addition, add lines 42 and 43 and enter the total on line 44. If line 43 is a (subtraction), subtract line 43 from line 42 and enter the result.

If you made no entries on line 43, enter the amount from line 42 on line 44.

Transfer the line 44 amount to line 45 next to the dollar sign.

Tax Computation

Line 44a

Limitation percentage

Figure your limitation percentage on line 44a if the amount in the federal amount column on line 32 (your total New York income figured as if you were a New York resident) is over \$100 more than the amount in column A on line 32. Apply this percentage against any New York itemized deduction or standard deduction claimed on line 45, and against your exemptions on line 47 and, if claimed, against the family adjustment on line 49. If you checked filing status **(3)** and the federal amount column is over \$100 more than the combined amounts in columns A and B, you also have to figure a limitation percentage.

To figure your limitation percentage, divide the amount in column A on line 32 by the amount in the federal amount column on line 32. If you checked filing status **(3)**, add the amounts in columns A and B and divide the

sum of these figures by the amount in the federal amount column. Carry your division to four places. For example, if the amounts used were \$12,000 divided by \$36,000, the result would be .3333 (33.33%).

All taxpayers must enter a percentage in the **white** space provided on lines 45 and 47a. If the limitation percentage does not apply to you, enter 100%. The percentage must also be entered on line 47b, if you are married and filing separately on one Form IT-203, and on line 49 if you claimed the family adjustment.

Line 45

NY deduction: Standard or Itemized

Check either the standard or the itemized deduction box to show which method you are using and enter your deduction amount in the space to the right of the dollar sign (\$).

- If you itemized deductions on your federal return, you can use either method.
- If you did not itemize on your federal return, you must claim the New York standard deduction.
- If you are married and filing separately (filing status **(3)** or **(4)**) and one of you claims the New York standard deduction, the other must also claim the standard deduction.

New York standard deduction

If you are **not** claiming the New York itemized deduction, enter your New York standard deduction on line 45.

If you checked filing status **(1)** enter \$2,600 in the space to the right of the dollar sign (\$).

If you checked filing status **(2)**, **(3)**, or **(5)**, enter \$3,000 in the space to the right of the dollar sign (\$).

If you checked filing status **(4)**, the **total** of the amounts that you and your spouse enter in the spaces to the right of the dollar sign (\$) **must be \$3,000.**

If you checked filing status **(3)** or **(4)**, you can divide your standard deduction any way you want. However, it may be to your advantage to give most or all of your standard deduction to the spouse with the higher income. If your incomes are similar, divide your standard deduction so that both incomes are the same.

The standard deduction is subject to the limitation percentage figured on line 44a. For example, if your limitation percentage on line 44a is 60% and your standard deduction is \$3,000, enter \$1,800 ($\$3,000 \times 60\% = \$1,800$) on line 45.

If you checked filing status **(4)**, the \$3,000 standard deduction must first be divided between you and your spouse. Then each of you must apply your own limitation percentage, if any, against your share of the standard deduction.

New York itemized deduction

Your New York itemized deduction to be subtracted at line 45 is the amount reported on line 44, unless you are required to figure

the limitation percentage on line 44a. If so, multiply the amount of your itemized deduction by your limitation percentage and enter the result on line 45. For example, if your limitation percentage on line 44a is 80% and your itemized deduction on line 44 is \$4,000, enter \$3,200 (\$4,000 x 80% = \$3,200) on line 45.

If you checked filing status ③, you can divide your total itemized deduction any way you want. It may be to your advantage to give most or all of your itemized deduction to the spouse with the higher income. If your incomes are similar, divide your itemized deduction so that both incomes are the same.

If you checked filing status ④, you must claim only those deductions that apply to your income and your spouse must claim only those that apply to his or her income (since you each filed a separate federal return).

Line 46

Subtract the amount on line 45 from the amount on line 33 and enter the result.

Line 47

Exemptions

Enter the number of exemptions you claimed on your federal return in the box on line 47 marked "Col. A". Then enter in the *white space* provided either the limitation percentage from line 44a or 100% if you did not have to complete line 44a. Multiply the number of exemptions by \$850 and multiply the result by the percentage on line 47. Enter this amount on line 47a, column A.

If you checked filing status ③, you each must report your exemptions as though you had filed separate federal returns. **You cannot claim any unused amount of your spouse's exemptions.** Enter on line 47 in the boxes marked "Col. A" and "Col. B" the number of exemptions each of you would have been entitled to claim on a separate federal return. Enter either the limitation percentage from line 44a or, if you did not have to complete line 44a, enter 100% in the *white spaces* provided. Figure your exemptions separately by multiplying each number of exemptions by \$850 and multiplying the result by the percentage entered on line 47. Enter the amount of your exemptions on line 47a in column A and the amount of your spouse's exemptions on line 47b in column B.

Line 48

New York net income

Enter your New York net income.

Subtract the amount on line 47a from the amount on line 46 (and line 47b from line 46, column B, if you checked filing status ③) and enter the result.

Line 49

Family adjustment

The family adjustment is a tax benefit for married couples. If you checked filing status ② or ③ and your total New York income on line 32, federal amount column, is \$38,000 or less, find your family adjustment according to your filing status. The

maximum family adjustment that you can claim is \$4,000. The family adjustment is subject to the limitation percentage figured on line 44a.

Note — If you checked filing status ③ and the net incomes of both spouses at line 48 fall within the same tax bracket, there will be no more of a tax advantage whether or not the family adjustment is used.

Filing status ①, ④ and ⑤ — Enter "0" on line 49.

Filing status ② — If your **total New York income** on line 32, federal amount column, is \$38,000 or less, find your family adjustment using one of the tables below; otherwise enter "0" on line 49.

If line 48 is less than \$8,000, figure your family adjustment using Table A. If line 48 is \$8,000 or more, find your family adjustment using Table B.

TABLE A
Filing Status ②

If the amount on line 32, federal amount column, is:

more than	but not more than	Enter to the right of the dollar sign (\$) on line 49
\$ 0	\$31,000	50% of line 48
31,000	32,000	50% of line 48 minus \$ 500
32,000	33,000	50% of line 48 minus \$1,000
33,000	34,000	50% of line 48 minus \$1,500
34,000	35,000	50% of line 48 minus \$2,000
35,000	36,000	50% of line 48 minus \$2,500
36,000	37,000	50% of line 48 minus \$3,000
37,000	38,000	50% of line 48 minus \$3,500
38,000		"0"

Note: If 50% of line 48 is less than the minus amount, enter "0" on line 49.

TABLE B
Filing Status ②

If the amount on line 32, federal amount column, is:

more than	but not more than	Enter to the right of the dollar sign (\$) on line 49
\$ 0	\$ 31,000	\$4,000
31,000	32,000	3,500
32,000	33,000	3,000
33,000	34,000	2,500
34,000	35,000	2,000
35,000	36,000	1,500
36,000	37,000	1,000
37,000	38,000	500
38,000		"0"

Filing Status ③ — If your **total New York income** on line 32, federal amount column, is \$38,000 or less, find your family adjustment using the worksheet below; otherwise enter "0" on line 49.

Family Adjustment Worksheet

Filing Status ③

- a. Enter the larger of column A or B, line 48. a. _____
- b. Enter the smaller of column A or B, line 48. b. _____
- c. Subtract line b from line a. c. _____
- d. 50% of line c. d. _____
- e. Enter amount from Table C below if the larger of column A or B, line 48, is less than \$8,000, or the amount from Table D if the larger of column A or B, line 48, is \$8,000 or more. e. _____
- f. Enter the smaller of lines d or e. f. _____

This is your family adjustment. Transfer this amount to Form IT-203, line 49, in the space to the right of the dollar sign (\$), and multiply by the limitation percentage, if any. Then enter the amount as a subtraction in the column (A or B) having the larger line 48 amount. Also, enter the same amount as an addition in the column with the smaller line 48 amount.

Use Table C if the larger of column A or B, line 48, is less than \$8,000. Use Table D if the larger of column A or B, line 48, is \$8,000 or more.

TABLE C
Filing Status ③

If the amount on line 32, federal amount column, is:

more than	but not more than	Enter on Worksheet line e
\$ 0	\$31,000	50% of line 48, column A or B, whichever is larger
31,000	32,000	50% of line 48, column A or B, whichever is larger, minus \$500
32,000	33,000	50% of line 48, column A or B, whichever is larger, minus \$1,000
33,000	34,000	50% of line 48, column A or B, whichever is larger, minus \$1,500
34,000	35,000	50% of line 48, column A or B, whichever is larger, minus \$2,000
35,000	36,000	50% of line 48, column A or B, whichever is larger, minus \$2,500
36,000	37,000	50% of line 48, column A or B, whichever is larger, minus \$3,000
37,000	38,000	50% of line 48, column A or B, whichever is larger, minus \$3,500
38,000		"0"

Note: If 50% of line 48 is less than the minus amount, enter "0" on Worksheet line e.

TABLE D
Filing Status ③

If the amount on line 32, federal amount column, is:

more than	but not more than	Enter on Worksheet line e
\$ 0	\$ 31,000	\$4,000
31,000	32,000	3,500
32,000	33,000	3,000
33,000	34,000	2,500
34,000	35,000	2,000
35,000	36,000	1,500
36,000	37,000	1,000
37,000	38,000	500
38,000		"0"

Line 50

New York taxable income

Filing status ①, ④ and ⑤ — Enter your line 48 amount on line 50. This is your New York taxable income.

Filing status ② — Subtract the amount on line 49 from the amount on line 48 and enter the result. This is your New York taxable income. (If you entered "0" on line 49, enter your line 48 amount on line 50.)

Filing status ③ — If the amount on line 48, column A, is larger than the amount on line 48, column B, subtract the amount of your family adjustment (line 49) from column A and add it to column B. If the reverse is true, subtract your family adjustment from column B and add it to column A. This is your New York taxable income. (If you entered "0" on line 49, enter your line 48 amount on line 50.)

Line 51

NY State tax or Maximum tax

Enter either your **New York State tax** or your **maximum tax on personal service income** on line 51. (If the amount on line 50 is more than \$16,000, you may pay less tax if you use the **maximum tax rate**.)

You should figure your tax both ways to see which method gives you the lower tax.

State tax — Figure your state tax on the amount on line 50 by using the *New York State Tax Rate Schedule* on the back cover of these instructions or on page 2 of Form IT-203-ATT.

Example: You are a New York State nonresident for the entire year. Your New York taxable income (from line 50) is \$14,000.

Figure your state tax as follows:

Tax on \$13,500	.....	\$720
Plus 9% of \$500	.....	+ 45
Total New York State tax	.....	\$765

If you checked filing status ③, enter only your own tax in your column.

Maximum tax — If the line 50 amount is more than \$16,000, your tax may be limited to a maximum rate of 9.5 percent on your personal service income. Generally, personal service income includes wages, salaries, professional fees, bonuses, commissions on sales or on insurance premiums, tips and any other amounts you received as compensation for personal services you provided. For more

information on who qualifies for this benefit, see the instructions on page 2 of Form IT-250. If you qualify, complete Form IT-250 and transfer the amount on line 12 of Form IT-250 to line 51 of your return. Attach Form IT-250 to your return.

If you checked filing status ③ and if you both qualify for the maximum tax rate, you must each complete a separate Form IT-250 and enter your own maximum tax in your column on line 51 of Form IT-203.

Lines 51a and 51b

If you entered your maximum tax on line 51, transfer the amount from Form IT-250, line 3 to Form IT-203, line 51a and the amount from Form IT-250, line 9 to Form IT-203, line 51b.

If you checked filing status ③, and if you both qualify for the maximum tax rate, you must each transfer the line 3 and line 9 amounts from your own Form IT-250 to your column of Form IT-203 on lines 51a and 51b. Attach both Forms IT-250 to your return.

Line 52

Tax on Family Adjustment —

Filing Status ② Only

If you checked filing status ②, figure your tax on the amount on line 49 by using the *Family Adjustment Tax Rate Schedule* on the back cover of these instructions or on page 2 of Form IT-203-ATT.

Line 53

Add lines 51 and 52 and enter the total.

Credits/Other Taxes

Line 54

Household credit

Enter your household credit. You qualify to claim this credit if you checked the "No" box for item B on the front page of your Form IT-203 (Section 606(b) of the Tax Law) and if you checked:

- filing status ① and your household gross income is **not over** \$28,000.
- filing status ②, ③, ④ or ⑤ and your household gross income is **not over** \$32,000.

Generally, household gross income is your total New York income figured as if you were a resident (**line 32, federal amount column**). However, if you have tax preference items, you must also include any minimum taxable income, figured as if you were a resident, reported on Form IT-220, *Minimum Income Tax*. For more information on tax preference items, see *Other Forms You May Have to Use* (Form IT-220) on page 6 of these instructions.

Filing status ① — Complete Worksheet I to figure your household credit.

Filing status ②, ③, ④ or ⑤ — Complete Worksheet II to figure your household credit.

If you checked filing status ③ or ④, you have to combine your household gross incomes, New York minimum taxable incomes and exemptions to figure your household credit.

Household Credit Worksheet I

Filing status ①

- a. Enter your total New York income (from Form IT-203, line 32, federal amount column) a. _____
- b. If you have to file Form IT-220 (see page 6), enter your New York minimum taxable income, if any, from Form IT-220, line 27 b. _____
- c. Household gross income (add lines a & b) c. _____

If the amount on line c above is:

	Over	But not over	Enter on line d:
\$ 0	\$ 5,000	..... \$75
5,000	6,000	..... 60
6,000	7,000	..... 50
7,000	20,000	..... 45
20,000	25,000	..... 40
25,000	28,000	..... 20
28,000		No credit is allowed; enter "0" on Form IT-203, line 54.

- d. Enter amount from table above d. _____
 - e. Enter your tax from Form IT-203, line 53 e. _____
 - f. Enter the total of any credits claimed on Form IT-203-ATT, lines 1, 2 and 3 f. _____
 - g. Subtract line f from line e g. _____
 - h. Enter the amount on line d or line g, whichever is smaller h. _____
- This is your household credit. Transfer this amount to Form IT-203, page 2, line 54.

Household Credit Worksheet II

Filing status ②, ③, ④ and ⑤

- a. Enter your total New York income (from Form IT-203, line 32, federal amount column) a. _____
- b. If you have to file Form IT-220 (see Page 6), enter your New York minimum taxable income (combined amounts for filing status ③ or ④), if any, from Form IT-220, line 27 b. _____
- c. Household gross income (add lines a and b) c. _____
- d. Enter amount from following table d. _____
- e. Enter amount from following table e. _____
- f. Enter number of exemptions (combined number for filing status ③ or ④) from Form IT-203, line 47 f. _____
- g. Multiply line e by line f and enter result g. _____
- h. Add lines d and g h. _____

If the amount on line c above is:

		Enter on:	
Over	But not over	line d	line e
\$ 0	\$ 5,000	\$75	\$15
5,000	6,000	60	15
6,000	7,000	50	15
7,000	20,000	45	15
20,000	22,000	50	10
22,000	25,000	40	10
25,000	28,000	35	5
28,000	32,000	15	5
32,000		No credit is allowed; enter "0" on Form IT-203, line 54.	

Filing status ② and ⑤ complete column A below.

Filing status ③ and ④ complete column A below for yourself and column B for your spouse.

Col. A Col. B

- i. Enter your tax from Form IT-203, line 53 i. _____
- j. Enter the total of any credits claimed on Form IT-203-ATT, lines 1, 2 and 3 j. _____
- k. Subtract line j from line i and enter result k. _____
- l. Filing status ② or ⑤ — enter amount on line h or k, whichever is smaller. Filing status ③ or ④ — enter in each column 50% of line h or 100% of line k, whichever is smaller l. _____

The amount(s) on line l is your household credit. Transfer the line l amount(s) to Form IT-203, page 2, line 54, column A, and also to line 54, column B, if filing status ③.

You cannot claim any unused part of your spouse's household credit.

Line 55

Subtract the amount on line 54 from the amount on line 53 and enter the result.

Line 56

Other NY State credits

Enter the total amount of other New York credits from Form IT-203-ATT, Schedule OC, line 7. These are: accumulation distribution credit, New York State child and dependent care credit, investment credit and retail enterprise credit, special additional mortgage recording tax credit, solar and wind energy credit carryover and the research and development credit. For more information, see *Instructions for Form IT-203-ATT, Schedule OC*, on page 22.

Line 57

Subtract the amount on line 56 from the amount of line 55 and enter the result.

Line 58

Other NY State taxes

Enter the total amount of other New York State taxes from Form IT-203-ATT, Schedule OT, line 13. These are: minimum income tax, separate tax on lump sum distributions, separate tax on PASS funds, add-back of investment credit and retail enterprise credit on early dispositions and add-back of research and development credit on early dispositions. For more information, see *Instructions for Form IT-203-ATT, Schedule OT*, on page 23.

Line 59

Total New York State tax

Add lines 57 and 58 and enter the total on line 59.

Lines 60 through 62 apply only to City of New York taxes. If you are not subject to City of New York taxes, do not fill in these lines.

Line 60

City of New York nonresident earnings tax

Complete line 60 only if you are subject to the City of New York nonresident earnings tax.

If you were not a City of New York resident but earned wages or conducted a trade or business there (either as an individual or a member of a partnership), you are subject to the City of New York nonresident earnings tax. Limited partners are not considered to receive net earnings from self-employment since they perform no services for the partnership.

For more information, see page 24. Figure your nonresident earnings tax on Form NYC-203, *City of New York Nonresident Earnings Tax Return*, and enter the tax on

line 60. Attach Form NYC-203 to the back of Form IT-203.

Line 61

City of Yonkers nonresident earnings tax

Complete line 61 only if you are subject to the City of Yonkers nonresident earnings tax. If you were not a City of Yonkers resident but earned wages or conducted a trade or business there (either as an individual or a member of a partnership), you are subject to the City of Yonkers nonresident earnings tax. Figure your nonresident earnings tax on Form Y-203, *City of Yonkers Nonresident Earnings Tax Return*, and enter the tax on line 61. Attach Form Y-203 to the back of Form IT-203.

Line 62

Total City of NY and City of Yonkers taxes

Add lines 60 and 61 and enter the total on line 62.

Line 63

Total NY State, City of New York and City of Yonkers taxes

Add lines 59 and 62 and enter the total on line 63.

Payments

Line 64

NY State tax withheld

Enter on this line your total **New York State** tax withheld as shown on your wage and tax statement(s). New York State Form IT-2102 or federal Form W-2.

If you checked filing status ②, enter your combined New York State tax withheld in column A. If you checked filing status ③, enter your separate amounts in columns A and B.

Attach Copy 2 of your wage and tax statement(s) to your return. If New York State tax was withheld from annuities, pensions, retirement pay or IRA payments, attach Copy 2 of Form IT-2102P or federal Form W-2P to your return.

Line 65 applies only to the City of New York nonresident earnings tax. If you are not subject to this tax, do not fill in this line.

Line 65

City of NY tax withheld

Enter your total **City of New York** tax withheld as shown on your wage and tax statement(s).

If you checked filing status ②, enter your combined City of New York tax withheld in column A. If you checked filing status ③, enter your separate amounts in columns A and B.

Attach Copy 2 of your wage and tax statement(s) to your return.

If City of New York tax was withheld from annuities, pensions, retirement pay or IRA payments, attach Copy 2 of Form IT-2102P or federal Form W-2P to your return.

Line 66 applies only to the City of Yonkers nonresident earnings tax. If you are not subject to this tax, do not fill in this line.

Line 66

City of Yonkers tax withheld

Enter your total **City of Yonkers tax withheld** as shown on your wage and tax statement(s).

If you checked filing status ②, enter your combined City of Yonkers tax withheld in column A. If you checked filing status ③, enter your separate amounts in columns A and B.

Attach Copy 2 of your wage and tax statement(s) to your return.

If City of Yonkers tax was withheld from annuities, pensions, retirement pay or IRA payments, attach Copy 2 of Form IT-2102P or federal Form W-2P to your return.

Line 67

Estimated tax paid/Paid with IT-370

Enter on this line the total of your estimated tax payments for New York State, City of New York and City of Yonkers. Also, include on line 67 the amount you paid with Form IT-370. *Application for Automatic Extension of Time to File.*

Estimated tax paid - Include on line 67 the total of your 1986 estimated tax payments (include your last installment, even if paid in 1987) and any overpayment from your 1985 return that was applied to your 1986 estimated tax.

If you checked filing status ② but made **separate** 1986 estimated tax payments (Form IT-2105), enter in column A your combined total estimated tax paid.

If you checked filing status ③ and made **separate** estimated tax payments for 1986, enter your separate payments in columns A and B. If you made **joint** estimated tax payments, you can divide your total payments any way you both agree upon.

Do not include any amounts you paid for the City of New York unincorporated business tax. File the City of New York unincorporated business tax directly with the City of New York Finance Administration.

Paid with Form IT-370 - If you filed Form IT-370 to get an extension of time to file Form IT-203, NYC-203 and Y-203, include on line 67 the amount you paid with Form IT-370. **Attach a copy of Form IT-370 to your return.**

If you checked filing status ② but filed **separate** Forms IT-370, enter in column **126** the combined amount paid with your separate Forms IT-370.

If you checked filing status ③ and you filed **separate** Forms IT-370, enter your separate amounts paid in columns A and B. If you filed a **joint** Form IT-370, you can divide your total payment any way you both agree upon.

Remember to attach a copy of Form IT-370 to your return.

Line 68

Total payments

Add lines 64 through 67 and enter your total tax payments on line 68.

Line 69

Payments applied to tax

If you checked filing status ①, ②, ④ or ⑤, enter in column A, line 69, the same amount you entered in column A, line 68.

If you checked filing status ③, you can divide your total payments any way you want between columns A and B.

**Refund/
Amount You Owe**

Apply your payments (line 69) against your total tax (line 63) to see whether you have an overpayment or a balance due.

If you checked filing status ③, the New York State Tax Department will automatically apply one spouse's overpayment against the other's balance due unless the spouse who has the overpayment attaches to the return a signed statement asking that the overpayment be refunded only to him or her.

Line 70

Overpayment

If line 63 is less than line 69, subtract line 63 from line 69 and enter your overpayment on line 70. You can have all or part of this amount refunded to you. Any remainder can be applied to your 1987 estimated tax. Any overpayment credited toward your estimated tax cannot be refunded after April 15, 1987.

Line 71

Refund

Enter the amount of overpayment from line 70 that you want refunded to you. You must file a return to get a refund. The Tax Department will not refund an amount of one dollar or less unless you attach to your return a signed statement asking for it.

If you checked filing status ③, the Tax Department will issue one refund check in both names, unless one of you attaches a signed statement asking that you each receive your own refund.

If one column shows an overpayment that is larger than the other column's balance due, subtract the balance due from the overpayment and transfer the remaining overpayment to line 71.

Collection of debts from your refund — We will keep all or part of your refund if you owe a federal, New York State, City of New York or City of Yonkers tax liability,

past due spousal or child support in New York State or if a judgment was filed against you because you have not repaid a student loan guaranteed by the New York State Higher Education Services Corporation or a national defense/national direct, health professions or nursing student loan provided to students at state-operated units of the State University of New York or the City University of New York. Any amount over your debt will be refunded.

Disclaiming of spouse's debt — If you checked filing status ② or ③ and you do not want to apply your part of the refund to your spouse's debt because you are not liable for it, attach a signed statement to that effect to your return and ask for your part of the refund. You cannot amend your return to disclaim your spouse's debt.

If you have any questions about whether you owe a federal, New York State, City of New York or City of Yonkers tax liability, past-due spousal or child support, whether you have repaid your HESC guaranteed student loan, or about the amount owed, call or write to the agency shown below.

For a federal tax liability —

(518) 472-3608
I.R.S. Special Procedures Function
Leo O'Brien Federal Building
Clinton and North Pearl Streets
Albany, NY 12207

(718) 780-6636
Internal Revenue Service
P.O. Box 911 G.P.O.
Brooklyn, NY 11202

(716) 846-5439
Internal Revenue Service
P.O. Box 266 Niagara Square Station
Buffalo, NY 14202

(212) 264-1140
Internal Revenue Service
Attn: C: FS 3rd Floor
P.O. Box 2827
New York, NY 10277

For a New York State, City of New York or City of Yonkers tax liability —

1-800-835-3554
outside NYS (518) 482-0683
NYS Tax Compliance Division
W.A. Harriman Campus
Albany, NY 12227-0125

For past-due spousal or child support —

(518) 473-8029
NYS Office of Child Support Enforcement
Special Collections Unit
P.O. Box 125
One Commerce Plaza
Albany, NY 12260

For HESC guaranteed student loans —

(518) 474-0991
NYSHESC
99 Washington Avenue
Albany, NY 12225

For State University student loans—

(518) 474-3781
 Student Loan Service Center
 State University of New York
 SUNY Plaza
 Albany, NY 12246

For City University student loans —

(212) 397-5682
 City University of New York
 Financial Aid Accounting
 555 West 57th Street
 New York, NY 10010

Line 72

NY State, City of New York and City of Yonkers estimated tax for 1987

Enter the amount of overpayment from line 70 that you want credited to your New York State, City of New York and City of Yonkers estimated tax for 1987. Do not include any amount that you claimed as a refund on line 71.

Line 73

Amount you owe

If line 69 is less than line 63, subtract line 69 from line 63 and enter the amount you owe on line 73.

If you owe more than one dollar, include full payment with your return. (You do not have to pay one dollar or less.) Make your check or money order payable to "NY STATE INCOME TAX" and write your social security number and "1986 Income tax" on it. Do not send cash. If you also have to pay an underpayment of estimated tax penalty (line 74), send one check or money order for the total.

If you checked filing status ③, you can add your balances due and send one check or money order for the total.

If one column shows a balance due that is larger than the other column's overpayment, subtract the overpayment from the balance due and send a check or money order for the net balance due.

Do not include any penalty or interest amounts on line 73. If you include penalties or interest with your payment, identify and enter these amounts in the right margin of page 2 of Form IT-203 (but not underpayment of estimated tax penalty, see line 74).

Line 74

Underpayment of estimated tax

If line 73 is at least \$100 and, in addition, represents more than 20% of the tax shown on your return, or you failed to make payments of estimated tax or underpaid your estimated tax liability for any payment period, you may owe a penalty. Attach Form IT-2105.9, *Underpayment of Estimated Tax by Individuals*, to Form IT-203 to show how you figured the penalty or which exceptions

apply. If you owe a penalty, check the box at line 74 and enter the amount of the penalty in the space provided. For more information, see the instructions for Form IT-2105.9

Do not include any other penalty or interest amounts on line 74. If you include penalties or interest with your payment, identify and enter these amounts in the right margin of page 2 of Form IT-203.

Now continue with Step 4 below

Step 4

Check the figures on your return.

Step 5

Complete the top of your return.

Mailing label — Remove the peel-off label from the cover of your packet and place it in the name and address box at the top of Form IT-203. Check the label to make sure the information on it is complete and correct. The series of numbers along the top of the label shows your social security information, the New York State form you filed last year, and a mailing code for the post office.

- If your name (or your spouse's name) or address is wrong, cross it out and make the corrections directly on the label.
- If your social security number is wrong, cross it out and enter the correct information in the white space at the top of Form IT-203. (Your social security number is printed in the upper left-hand corner of the label.) If this information is not on your label, enter it in the white space at the top of Form IT-203.

Occupation(s) — Enter your occupation in the space at the top of Form IT-203. If you are married, also enter your spouse's occupation.

If you do not have a mailing label, enter all of the following information on the lines at the top of page 1:

- Name and address** (both names if filing a joint or combined return)
- Social security number(s)**
- Occupation(s)**

Step 6

Sign and date your return at the bottom of page 2

You must sign and date your return. If you are married and filing a joint or combined return, you must both sign it. **Your return cannot be processed if you do not sign it.** You should have a copy of your return and attachments and keep them in a safe place if you need to refer to them later. If someone prepares your return for you, be sure to get a copy for your records.

If the return is for someone who died and there is no surviving spouse to sign it, the name and address of the person signing it

must be printed or typed below the signature.

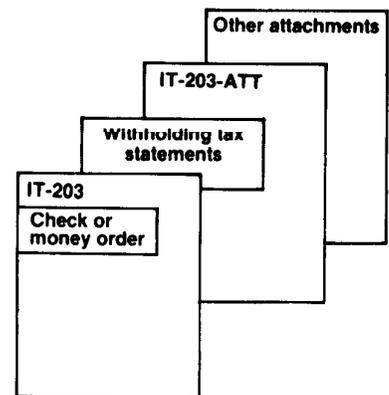
Paid preparer must also sign your return

If you pay someone to prepare your return, the paid preparer must also sign it and fill in the other blanks in the paid preparer's area of your return. A person who prepares your return and does not charge you, should not fill in the paid preparer's areas.

Step 7

Attachments

- Staple Copy 2 of your wage and tax statement(s) and any other forms and schedules you used to the **back** of your return at the upper left corner. (Please staple once only.) Staple them in the following order:
 - 1 Copy 2 of your wage and tax statements, face out
 - 2 Form IT-203-ATT
 - 3 Other New York State forms in form number order
 - 4 Any other schedules you used or prepared yourself, including copies of federal schedules
- If you owe any tax, staple your check or money order to the **top of the front** of Form IT-203.
- If you have to file Form IT-201 due to a change of resident status, attach it on top of your Form IT-203. If you owe any tax, staple your check to the Form IT-201.
- If you have to write to us, attach your letter to the **front** of Form IT-203.



Step 8

Checklist

If your return cannot be processed, it will be returned to you. This may delay your refund or subject you to late filing penalties. Before you mail your return, a quick check will help you avoid common errors that cause processing problems.

Did you:

- Attach your peel-off label?** If you do not have a label, did you enter your name(s), address, social security number(s), and occupation(s) at the top of your return?
- Check your filing status box?**

- Check the Yes or No box at Item B?
- Figure your limitation percentage on line 44a and enter it on lines 45 and 47a and, if necessary, on lines 47b and 49?
- Check the standard or itemized deduction box on line 45?
- Enter the number of exemptions in the boxes on line 47?
- Claim any adjustments or credits that you may qualify for?
- Use the maximum tax rate, if you qualify? (See line 51 instructions.)
- Sign your return? (Both husband and wife must sign a joint or combined return.)
- Attach Copy 2 of your wage and tax statement(s)?
- Attach Form IT-203-ATT, if you are subject to other NY State taxes, claimed other NY State credits or are required to complete Schedule A, Allocation of Wage and Salary Income to New York State?
- Make your check or money order payable to "NY State Income Tax" for the full amount of any balance due?
- Write your social security number and "1986 income tax" on your check or money order?

Step 9

Use the preaddressed mailing envelope.

Use the preaddressed envelope that came with your tax packet. If you are claiming a refund, mark an "X" in the box on the front of the envelope. If you do not have a preaddressed envelope, address your envelope

For refund returns:

New York State Income Tax
W.A. Harriman Campus — REFUND '86
Albany, NY 12227-0125

For all other returns:

New York State Income Tax
W.A. Harriman Campus
Albany, NY 12227-0125

Instructions for Form IT-203-ATT

Summary of Other Credits and Taxes

If you are claiming any of the other New York State credits or are subject to any of the other New York State taxes listed below, complete Form IT-203-ATT and attach it to your nonresident return, Form IT-203.

If you need more forms or schedules, see *Forms and Assistance* on page 7 of these instructions.

Columns A and B

Form IT-203-ATT has two columns where entries can be made. If you checked filing status ③, enter your own credits and taxes in the same columns that you used on Form IT-203. All others use column A only.

Schedule OC Other NY State Credits

If you are claiming any of the New York State credits listed below, fill in Schedule OC. These credits do not apply to the City of New York or City of Yonkers nonresident earnings tax. New York State does not allow any credits similar to those allowed under federal law for the elderly, earned income, political contributions, etc.

Line 1

Accumulation distribution credit

Enter the amount of accumulation distribution credit. If you are a beneficiary of a trust who received an accumulation distribution, you may be allowed a credit for New York State incomes taxes paid by the trust (Sections 621 and 640 of the Tax Law). Attach a schedule

128 showing how you figured your credit

Line 2

NY State child and dependent care credit

Enter the amount of New York State child and dependent care credit (Section 606(c) of the Tax Law). You can claim this credit if you were allowed a child and a dependent care credit on your federal income tax return. Enter in the boxes on line 2 the number of qualifying persons cared for in 1986 and the amount of federal child and dependent care credit. You can claim 20 percent of your federal credit multiplied by your limitation percentage, but not more than the tax shown on Form IT-203, line 53, less any accumulation distribution credit claimed on line 1 of Form IT-203-ATT. Use the following worksheet to figure your New York State child and dependent care credit.

Child and Dependent Care Credit Worksheet

- a. Enter your federal credit for child and dependent care expenses a. _____
- b. Enter 20% of line a b. _____
- c. Tentative credit. Multiply line b by limitation percentage from line 44a of Form IT-203 c. _____
- d. Enter your tax from Form IT-203, line 53 d. _____
- e. Enter any credit from line 1 of Schedule OC e. _____
- f. Subtract line e from line d f. _____
- g. Enter the amount of line c or line f, whichever is smaller g. _____

This is your **New York State child and dependent care credit**.

Transfer the amount on line g to line 2 of Schedule OC. Also, transfer the amount on line a (federal credit) to line 2 in the box to the right of the dollar sign (\$).

If you checked filing status ③, transfer your credit to the column of the spouse having the smaller New York taxable income (see Form IT-203, line 50).

Line 3

Investment credit and retail enterprise credit

Enter the amount of investment credit and retail enterprise credit. If you produce goods by manufacturing, processing, mining, agriculture or other similar activities, you can claim a tax credit for investment in certain depreciable or recovery property and for qualified rehabilitative expenditures on property located in New York State (Section 606(a) of the Tax Law). To figure this credit, fill in Form IT-212, *Investment Credit and Retail Enterprise Credit*, and attach it to your nonresident return. For more information, see the instructions for Form IT-212.

Note: You can claim the investment credit and retail enterprise credit or the research and development credit, but not both. For more information on the research and development credit, see line 6 instructions.

Line 4

Special additional mortgage recording tax credit

Enter the amount of special additional mortgage recording tax paid to record a mortgage for the purchase of residential property (located in New York State) consisting of more than six dwelling units or the purchase of business property (located in New York State). If you are the lender, enter the amount of special additional mortgage recording tax you paid to record the mortgage for residential property (located in New York State) containing six dwelling units or less with separate cooking facilities. This credit does not apply to the tax paid to record the mortgage on a single residential dwelling unit where you are the purchaser. If you are claiming this credit, see additions A-5 and A-6 on page 12 of these instructions.

Partners — Include your distributive share of the special additional mortgage recording tax credit from Form IT-204.

Electing New York S corporation shareholders — Include your prorated share of the S corporation's special additional mortgage recording tax from Form CT-3S.

Line 5

Solar and wind energy credit carryover

Enter the amount of solar and wind energy credit carryover. This carryover can be claimed only if you previously figured the credit as a New York State resident and did not use all of the credit on your prior tax returns. 1985 was the last year that taxpayers filing on a calendar-year basis could claim this credit. Section 606(c)(2)(6) provides that any unused credit can be carried over to the following year or years. Taxpayers carrying over any unused credit from 1985 to 1986 should attach a copy of their 1985 Form IT-218, *Solar and Wind Energy Credit*, to their 1986 return.

Line 6

Research and development credit

Enter the amount of research and development credit. If you use certain property for research and development purposes in the experimental or laboratory sense, you can claim this credit. Qualified property must be located in New York State and be depreciable or recovery property purchased after June 30, 1982 for use in a trade or business (Section 606(h) of the Tax Law). To figure this credit, fill in Form IT-217, *Research and Development Credit*, and attach it to your return. For more information, see IT-217-I, *Instructions for Form IT-217*.

Note: You can claim the research and development credit or the investment credit and retail enterprise credit but **not** both. For more information on the investment credit and retail enterprise credit, see line 3 instructions.

Line 7

Total

Add lines 1 through 6, enter the total on line 7, and transfer it to Form IT-203, line 56. If you checked filing status ③, transfer the line 7 totals to the same columns of Form IT-203, line 56. You cannot apply any of your unused credits against the tax of your spouse.

**Schedule OT
Other NY State Taxes**

If you are subject to any of the New York State taxes listed below, you must complete Schedule OT.

Line 8

NY State minimum income tax

Enter your New York State minimum income tax. If you had tax preference items from New York State sources (see Form IT-220, line 21) totaling more than your allowable specific deduction, you may be subject to the New York State minimum income tax. Complete Form IT-220 and attach it to your nonresident return. For more information, see IT-220-I, *Instructions for Form IT-220*.

Line 9

NY State separate tax on lump sum distributions

Enter your New York State separate tax on lump sum distributions which were wholly or partly derived from or connected with New York sources. If you received a lump sum distribution from a qualified retirement plan, which is wholly or partly derived from or connected with New York State sources, and you have elected the special ten-year averaging method of figuring your federal tax on the ordinary income portion of this lump sum distribution, figure your New York State separate tax on Form IT-230 or IT-230.1 and attach it to your Form IT-203. For more information, see IT-230-I, *Instructions for Forms IT-230 and IT-230.1*.

Line 10

NY State separate tax on PASS funds

Enter your New York State separate tax on PASS (parents' and students' savings) funds. A nonresident is subject to this separate tax on PASS funds if he is a former resident of New York State who created a PASS fund while he was a resident and the fund terminates because it no longer has any eligible beneficiaries, or the creator of the fund died without having included a provision in his will or made an inter vivos (living) trust provision to continue the fund after his death. Fill in Form IT-270 and attach it to your Form IT-203. For more information, see Publication 320, *Tuition Deduction and the PASS Plan*.

Line 11

Add-back of investment credit and retail enterprise credit on early dispositions

Enter the amount of add-back of investment credit and retail enterprise credit on early dispositions of investment credit and retail enterprise credit property. If you dispose of property on which an investment credit and retail enterprise credit has been taken or if the property ceases to be in qualified use before its useful life or specified holding period ends, you must add-back in the year of disposition the difference between the investment credit and retail enterprise credit taken and the investment credit and retail enterprise credit allowed. Complete Form IT-212 and attach it to your nonresident return.

Line 12

Add-back of research and development credit on early dispositions

Enter the amount of add-back of research and development credit on early dispositions of property. If you dispose of property on which the research and development credit has been taken, or if the property was removed from qualified use before its useful life or specified holding period ends, you must add-back in the year of disposition the difference between the credit claimed and the credit allowed for actual use. Complete Form IT-217, *Research and Development Credit*, and attach it to your return.

Line 13

Total

Add lines 8 through 12; enter the total on line 13; and transfer it to Form IT-203, line 58. If you checked filing status ③, transfer the amounts in each column on line 13 to the same columns on Form IT-203, line 58.

Line 14

Investment credit and retail enterprise credit refund for new businesses

Enter the amount of investment credit and retail enterprise credit refund for new businesses. If your new business qualifies, you can claim a refund for the amount of your current year's unused investment credit and retail enterprise credit instead of carrying it over to next year. For more information, see IT-212-I, *Instructions for Form IT-212*.

Important: Also include the amount of your investment credit and retail enterprise credit refund for new businesses on Form IT-203, in the total for line 64. On the dotted line next to line 64 write "ICR" and show the amount.

Line 15

Net investment credit available for carryover to 1987

Enter the amount of net credit available for carryover to 1986 from Form IT-212, page 2, line 14(c).

Schedule A — Page 2

Allocation of wage and salary income to New York State

Complete this schedule if you earned income inside and outside New York State, and your income is not based on the volume of business transacted.

Failure to complete Schedule A and attach it to your Form IT-203 will result in a delay in the processing of your return.

For more information about Schedule A, see page 8 of these instructions.

New York State Tax Rate Schedule

If amount on Form IT-203, line 50, is:
over but not over

Enter on Form IT-203, line 51:

over	but not over	Enter on Form IT-203, line 51:			
\$ 0	\$1,000	2% of amount on line 50			
1,000	3,000	\$ 20 plus	3% of amount over \$ 1,000		
3,000	5,000	80 plus	4%	" " "	3,000
5,000	7,000	160 plus	5%	" " "	5,000
7,000	9,000	260 plus	6%	" " "	7,000
9,000	11,000	380 plus	7%	" " "	9,000
11,000	13,500	520 plus	8%	" " "	11,000
13,500	16,000	720 plus	9%	" " "	13,500
* 16,000	18,500	945 plus	10%	" " "	16,000
18,500	21,000	1,195 plus	11%	" " "	18,500
21,000	23,500	1,470 plus	12%	" " "	21,000
23,500	26,000	1,770 plus	13%	" " "	23,500
26,000		2,095 plus	13.5%	" " "	26,000

* If the amount on Form IT-203, line 50, is more than \$16,000, you may be entitled to a New York State maximum tax rate of 9.5% on personal service income. See page 18 of these instructions and Form IT-250.

You do not owe any New York State income tax if you were a New York State nonresident for the entire taxable year and you checked:

- Filing status ① and your Form IT-203, line 32, federal amount, is \$4,000 or less.
- Filing status ② or ⑤ and your Form IT-203, line 32, federal amount, is \$8,000 or less.
- Filing status ③ or ④ and your combined Form IT-203, line 32, federal amounts, are \$8,000 or less.

Family Adjustment Tax Rate Schedule

If amount on Form IT-203, line 49 is:
over but not over

Enter on Form IT-203, line 52:

over	but not over	Enter on Form IT-203, line 52:	
\$ 0	\$1,000	2% of amount on line 49	
1,000	3,000	\$20 plus	3% of amount over \$1,000
3,000	4,000	\$80 plus	4% of amount over \$3,000

Mail Your Return

Mail your return in the pre-addressed envelope that came with your tax packet. If you do not have one, address your envelope —

For refund returns:

New York State Income Tax
W.A. Harriman Campus —
REFUND '86
Albany, NY 12227-0125

For all other returns:

New York State Income Tax
W.A. Harriman Campus
Albany, NY 12227-0125

Telephone Assistance

For forms and publications, in NY State only, call toll-free 1-800-462-8100.
From areas outside NY State, call (518) 438-1073.

For information, in NY State only, call toll-free 1-800-342-3536.
From areas outside NY State, call (518) 438-8581.

For refund information only, please wait until after April 15 to call toll-free, in NY State only, 1-800-443-3200.
From areas outside NY State, call (518) 438-6777

Telephone assistance is available from 8 a.m. to 5 p.m., Monday through Friday.

If you need to write, please address your letter to:

NY State Tax Department
Taxpayer Assistance Bureau
W.A. Harriman Campus
Albany, NY 12227-0125