New York State Department of Taxation and Finance

Instructions for Form IT-217 1986

Research and Development Credit

General Instructions

Who Must File

File Form IT-217 if you are an individual, a beneficiary or fiduciary of an estate or trust, a member of a partnership or a shareholder of an S corporation and:

- ☐ You are claiming the research and development credit.
- ☐ You are claiming a carryover of unused research and development credit from a prior period.
- ☐ You had an early disposition of property for which the research and development credit was allowed in a prior year.

An estate or trust that divides the credit or tax on early dispositions among itself and its beneficiaries must attach Form IT-217 to Form IT-205 showing each beneficiary's share of the credit or tax on early dispositions.

A partnership must file Form IT-217 with Form IT-204 showing the partnership's total investment in qualified property or total early dispositions of qualified property.

An S corporation does not have to file Form IT-217. It must file Form CT-42. If you are a shareholder in an S corporation that has made the election under Section 660 of the Tax Law, obtain your share of the corporation's research and development credit or tax on early dispositions of qualified property from the corporation.

You Cannot Claim the Research and Development Credit If:

- ☐ You are claiming the investment credit and/or retail enterprise credit. For information on the investment credit and/or retail enterprise credit, see Form IT-212 and instructions IT-212-I.
- ☐ You are claiming the deduction for the special depreciation deduction (Section 612(g) of the Tax Law).
- ☐ You are the lessor or lessee of qualifying property. If you made a safe harbor election (before January 1, 1984) under Section 168(f)(8) of the Internal Revenue Code, you are not considered a lessee. **Exception:** If you are a lessee and in fact the beneficial owner of qualifying property, you may be able to claim the research and development credit. (Section 606(h)(4) of the Tax Law).

When Allowed

The credit is allowed only for the taxable year in which qualified property is placed in service. However, if all of the credit cannot be used in the year the property is placed in service, a carryover credit may be claimed in the subsequent year or years.

Qualifying Property

The credit is allowed for investment in new or used property or other tangible property (including buildings and structural components of buildings) that:

- ☐ Was acquired, constructed, reconstructed or erected by the taxpayer after June 30, 1982;
- ☐ Is depreciable under Section 167 or Section 168 of the Internal Revenue Code;
- ☐ Has a useful life of 4 years or more;
- ☐ Is acquired by purchase as defined in Section 179(d) of the Internal Revenue Code;
- ☐ Is located in New York State; and
- ☐ Is used or is to be used for purposes of research and development in the experimental or laboratory sense. Do not include the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in connection with literary, historical or similar projects.

Cost or Other Basis

The research and development credit is figured on the cost or other basis of qualified property for federal income tax purposes. If you are required to reduce your federal basis by one-half of the federal investment credit, then you must use that reduced basis for computing your New York State research and development credit. Do not include any amount that was written off as an expense under Section 179(a) of the Internal Revenue Code. The basis of qualified property must include the remaining basis of other property exchanged or traded in for it. If the credit was previously allowed on the property exchanged or traded in, a disposition of property has occurred and you may have to figure a tax on early dispositions (see Part III instructions).

If qualified property is acquired to replace insured property that was stolen or destroyed by fire, storm, shipwreck or other casualty, the basis of the replacement property is its cost reduced by any amount of gain not recognized for federal income tax purposes because the insurance proceeds were invested in the replacement property.

Carryover of Unused Research and Development Credit

If you cannot claim all of your credit because it is more than your New York State tax less other credits, you can carry over the unused amount to the following year or years until it is used up.

Early Disposition of Property — Tax on Early Dispositions

If property on which the research and development credit was taken is disposed of or removed from qualified use before its useful life or specified holding period ends (see instructions for Part III), the difference between the credit taken and the credit allowed for actual use must be added to your income tax in the year of disposition. However, if the property was in qualified use for more than 12 consecutive years, the add-back is not required.

Disposition of property also includes:

- ☐ The contribution of property to a partnership or corporation unless a substantial interest in the ownership of the trade or business is retained by the transferor;
- ☐ The sale by a partner of his interest in a partnership;
- ☐ A reduction in the proportionate stock interest of an electing New York S corporation shareholder;
- ☐ Conversion of property to personal use;
- ☐ A change in use whereby the property is not used for purposes of research and development in the experimental or laboratory sense;
- ☐ A change in the location of the property to a situs outside New York State;
- ☐ An exchange of property for other property of like kind (including a trade-in of property); and
- ☐ The theft or destruction of property.

Ordinarily, transfers by reason of death are **not** dispositions of property.

Use Part III of Form IT-217 to figure your tax on early dispositions.

Line-by-Line Instructions

Individuals: Complete Parts I, II and III
Fiduciaries: Complete Parts I, II, III and IV
Partnerships: Complete Parts II and III
Shareholders of S Corporation: Complete Parts I, II and III

Part I — Computation of Research and Development Credit

Line 1(a) — Individual or Fiduciary — Enter your research and development credit from Part II, column G. See Part II instructions below.

Line 1(b) — Beneficiary — Enter your share of research and development credit on qualified investments made by estates and trusts (from fiduciary's Form IT-217, Part IV, column C).

Line 1(c) — Partner — Enter the partnership's name, employer identification number and your share of research and development credit on qualified investments made by partnerships (from partnership's Form IT-204, Schedule C, Part III).

Line 1(d) — S Corporation Shareholder — Enter the S corporation's name, employer identification number and your share of research and development credit on qualified investments made by S corporations (from S corporation's Form CT-3S, Schedule C, Part II).

Line 2 — Fiduciary — Enter the amount of research and development credit that was allocated to beneficiaries in Part IV, column C.

Line 6(a) — Individual or Fiduciary — Enter your tax on early dispositions from Part III, column H. See Part III instructions below.

Line 6(b) — Beneficiary — Enter your share of tax on early dispositions made by estates and trusts (from fiduciary's Form IT-217, Part IV, column D).

Line 6(c) — Partner — Enter your share of tax on early dispositions made by partnerships (from partnership's Form IT-204, Schedule C, Part III).

Line 6(d) — S Corporation Shareholder — Enter your share of the tax on early dispositions made by S corporations (from S corporation's Form CT-3S, Schedule C, Part II).

Line 7 — Fiduciary — Enter the amount of tax on early dispositions that was allocated to beneficiaries in Part IV, column D.

Line 9 — If line 8 is more than line 5, subtract line 5 from line 8. Individuals — enter the difference on line 9 and also enter it on Form IT-201-ATT, Schedule OT, line 13 or Form IT-203-ATT, Schedule OT, line 12. Fiduciaries — enter the difference on line 9 and also add it to any amount shown on Form IT-205, Page 1, line 14. If line 5 is more than line 8, enter difference on line 9 and continue to line 10.

Line 10 — Do **not** include any amount of minimum income tax, separate tax on lump sum distributions or separate tax on PASS funds on line 10.

Line 11 — Individuals — Enter the total amount of other credits from worksheet, line 8 below.

Worksheet:

1. Household credit *(from IT-201, line 54 or IT-203, line 54)* 1._____
2. Resident credit *(from IT-201-ATT, Schedule OC, line I)* 2._____
3. Accumulation distribution credit *(from Schedule OC of IT-201-ATT, line 2, or IT-203-ATT, line I)* 3._____
4. NY State child and dependent care credit *(from Schedule OC of IT-201-ATT, line 3, or IT-203-ATT, line 2)* 4._____
5. Investment credit and/or retail enterprise credit *(from Schedule OC of IT-201-ATT, line 4, or IT-203-ATT, line 3)* 5._____
6. Special additional mortgage recording tax credit *(from Schedule OC of IT-201-ATT, line 5, or IT-203-ATT, line 4)* 6._____
7. Solar and wind energy credit carryover *(from Schedule OC of IT-201-ATT, line 6, or IT-203-ATT, line 5* 7._____
8. **Total Other Credits** *(add lines 1 through 7; enter here and on Form IT-217, line 11)* 8._____

Fiduciaries — Enter the total of resident credit and accumulation distribution credit.

Line 14 — If line 9 is larger than line 12, enter the difference on this line. This is your carryover available for 1987.

Part II — Schedule of Investments in Qualified Research and Development Property and Credit

Fill in columns A through G for qualified property that was placed in service during **1986.** Enter in column D the property's useful life under Section 167 of the Internal Revenue Code even if you claim the deduction for recovery property (Section 168 of the Internal Revenue Code) on your federal return.

If qualifying property was disposed of or was not in qualified use at the end of the taxable year it was placed in service, figure the amount of research and development credit to be claimed as follows:

☐ For depreciable property under Section 167 of the Internal Revenue Code, multiply the credit by a fraction whose numerator is the number of months of qualfied use, and whose denominator is the number of months of useful life of the property.

☐ For recovery property under Section 168 of the Internal Revenue Code, multiply the credit by a fraction whose numerator is the number of months of qualified use, and whose denominator is either:
— 36 (for 3-year property); or
— The number of months you chose for buildings or structural components of buildings.

Part III — Schedule of Early Dispositions of Qualified Property and Tax on Early Dispositions

Fill in columns A through H if you have claimed the research and development credit on property that was disposed of or was removed from qualified use (a) during **1986**, and (b) before the end of its useful life or specified holding period. Do ***not*** include property that has been in qualified use for more than 12 consecutive years.

Enter in column D:

☐ For depreciable property under Section 167 of the Internal Revenue Code, the number of months of useful life of the property.

☐ For recovery property under Section 168 of the Internal Revenue Code:
— 36 (for 3-year property); or
— The number of months you chose for buildings or structural components of buildings.

Enter in column E the number of months that the property was not in qualified use.

Part IV — Beneficiary's and Fiduciary's Share of Research and Development Credit and Tax on Early Dispositions

If an estate or trust allocates or assigns the research and development credit or tax on early dispositions to its beneficiaries, base the division on each beneficiary's share of qualified investments made by the estate or trust.