CT-32A-I
(10/87)

New York State Department of Taxation and Finance

Instructions for Form CT-32A
Combined Franchise Tax Return for Banking Corporations
Article 32

1987

General Information

In general, each banking corporation or bank holding company is a separate taxable entity and must file its own tax return. However, a group of banking corporations and bank holding companies may be permitted or required to file a combined return to properly reflect the tax liability of these corporations under Article 32 of the Tax Law. In all cases where a combined return is permitted or required, a combined franchise tax return must be filed on Form CT-32A. Form CT-32B should also be filed. In addition, a separate franchise tax return must be filed by each corporation in the combined group on Form CT-32.

If a banking corporation or bank holding company has been required or permitted to file a combined return, the corporation must continue to file a combined return until the facts affecting its combined reporting status materially change. If the facts materially change from the time the corporation was required or permitted to file on a combined return, the corporation must notify the Commissioner of Taxation and Finance of the change not later than 30 days after the close of its taxable year. The Commissioner of Taxation and Finance will then notify the corporation whether it will be required or permitted to be included in a combined return.

When and Where to File

The due date for filing is 2½ months after the close of the reporting period. Corporations reporting for the 1987 calendar year must file a return on or before March 15, 1988.
Mail returns to:

New York State Tax Department
Processing Unit
P.O. Box 1909
Albany, NY 12201-1909

If you cannot meet the filing deadline, ask for a six-month extension of time by filing Form CT-5.

Who May File Form CT-32A

Corporations which may be permitted or required to file or to be included in a combined return

A banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity may be permitted or required to file or to be included in a combined return with the following:

- any banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity which owns or controls, directly or indirectly, 65% or more of its voting stock, and
- any banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

A banking corporation or bank holding company **not** exercising its corporate franchise or doing business in New York State in a corporate or organized capacity may be permitted or required to file or be included in a combined return with the following:

- any banking corporation or bank holding company, exercising its corporate franchise or doing business in New York State in a corporate or organized capacity, which owns or controls, directly or indirectly, 65% or more of its voting stock, and
- any banking corporation or bank holding company, exercising its corporate franchise or doing business in New York State in a corporate or organized capacity, in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

The Commissioner of Taxation and Finance may permit or require the filing of a combined return by banking corporations or bank holding companies when 65% or more of the voting stock of each is owned or controlled, directly or indirectly, by the same interest, and at least one of the corporations is exercising its corporate franchise or doing business in New York State in a corporate or organized capacity.

A banking corporation or bank holding company which meets any of the 65% or more stock ownership requirements may be permitted or required to file or to be included in a combined return only if the Commissioner of Taxation and Finance determines that such filing is necessary to properly reflect the tax liability of such corporation or other corporations. In making its determination whether a combined return is necessary in order to properly reflect the tax liability of any one or more of such corporations, the Commissioner of Taxation and Finance will first determine whether the group of corporations under consideration is engaged in a unitary business. A corporation engaged in a unitary business with one or more of the corporations in the group may be permitted or required to file a combined return where the Commissioner of Taxation and Finance determines that:

- the corporation has intercorporate transactions with one or more of the corporations in the group which cause the improper reflection of the activity, business, income or assets within New York State of one or more of the corporations, or
- the corporation has an agreement, understanding, arrangement or transactions with one or more of the corporations in the group which cause the improper reflection of the activity, business, income or assets within New York State of one or more of the corporations.

Corporations required to file or to be included in a combined return

A banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity is **required** to file or to be included in a combined return with the following:

- any banking corporation or bank holding company, exercising its corporate franchise or doing business in New York State in a corporate or organized capacity, which owns or controls, directly or indirectly, 80% or more of its voting stock, and
- any banking corporation or bank holding company which is exercising its corporate franchise or doing business in New York State in a corporate or organized capacity in which it owns or controls, directly or indirectly, 80% or more of the voting stock.

However, a banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity which meets the 80% or more stock ownership requirement may be excluded from a combined return, if the corporation or the Commissioner of Taxation and Finance shows that the inclusion of such a corporation in the combined return fails to properly reflect the tax liability of such corporation.

Tax liability may be deemed to be improperly reflected because of intercorporate transactions or some agreement, understanding, arrangement or transaction whereby the activity, business, income or assets of the corporation within New York State is improperly or inaccurately reflected.

Any combination of banking corporations and bank holding companies which meets the 80% or more stock ownership test is required to file a combined return and may make a written request for a preliminary review as to which corporations are to be included in the combined return. The request must comply with the requirements set forth in the instructions below that describe the procedures for requesting permission to file a combined return.

In no event may a banking corporation or bank holding company, which meets the 65% or more but less than 80% stock ownership requirement, file or be included in a combined return without the consent of the Commissioner of Taxation and Finance.

Corporations that cannot be included in a combined return:

- a banking corporation that elected under Section 1452(d) of the Tax Law to be taxed under Article 9-A of the Tax Law for those years such election is in effect.
- a banking corporation whose largest tax is computed on taxable assets at the rate of 1/25 or 1/50 of a mill.
- a banking corporation or bank holding company whose accounting period differs from the accounting period adopted by the combined group.
- a banking corporation or bank holding company that does not meet the 65% or more stock ownership requirement.

Rules for Alien Corporations

- A banking corporation or bank holding company organized under the laws of a country other than the U.S. may not file a combined return with a banking corporation or bank holding company organized under the laws of the U.S., New York State or any other state.

Change in Composition of a Combined Group

Every banking corporation and bank holding company that is required to be included in a combined return or which has received the permission of the Commissioner of Taxation and Finance to be included in a combined return must continue to be included in the combined return unless it has been permitted or required to be excluded from the combined return.

Any corporation, except one that is required to be included in a combined return, that is included in a combined return without the prior consent of the Commissioner of Taxation and Finance may be excluded from the combined return and taxed on a separate basis.

Any corporation that is required to be included in a combined return or has obtained the consent of the Commissioner of Taxation and Finance to be included in a combined return but files on a separate basis may be taxed on a combined basis.

Requesting Consent to File a Combined Return

A request to the Commissioner of Taxation and Finance to file an initial combined return, except where a combined return is required to be filed, or to change the composition of an existing combined return must be made in writing and addressed to:

NYS Tax Department
COAB-Corporation Tax
W.A. Harriman Campus
Albany, NY 12227

This written request must be received by the Commissioner of Taxation and Finance not later than 30 days after the close of the taxable year in question. The written request must contain the following:

- the corporate organization chart of the requesting corporation setting forth the name of each corporation and the percentage of voting stock owned or controlled, directly or indirectly, by the requesting corporation and the name of each corporation which owns or controls, directly or indirectly, the voting stock of the requesting corporation and the percentage of such stock so owned;
- for each of the bank holding companies, banking corporations and other corporations which own or control, directly or indirectly, 65 percent or more of the voting stock of the requesting corporation or whose voting stock is 65 percent or more owned or controlled, directly or indirectly, by the requesting corporation or by the same interest as the requesting corporation,

  the exact name,

  address (including ZIP code),

  employer identification number,

  date of incorporation

  state or country of incorporation

  the date business began in New York State, if applicable, and

in the case of a corporation described in Section 1452(a)(9) of the Tax Law, a description of the activities in which the corporation is principally engaged which establishes that such activities are permissable activities within the contemplation of Section 1452(a)(9) of the Tax Law;

- a statement providing details as to why only those corporations which are required to be included in a combined return, those corporations requesting permission to be included in a combined return and those corporations requesting permission to be excluded from a combined return will properly reflect the tax liability of the group of corporations and of each corporation to be included in the group and of each corporation to be excluded from the group;
- for at least the first nine months of the taxable year covered in the request, using spread sheets if necessary, information that will clearly identify on a corporation-by-corporation basis, the nature and amount of each category of intercorporate transactions between each one of the corporations which meets the 65% or more stock ownership requirement with each of the other corporations which reflects:
  - —the source and amount of gross receipts and the portion derived from such transactions, and
  - —the source and amount of total services and other transactions of each corporation and the portion related to transactions with each of the other corporations, and
  - —any other data that shows the degree of involvement of the corporations with each other.

Unitary Business

In deciding whether a corporation is part of a unitary business, the Commissioner of Taxation and Finance will consider whether the activities in which the corporation engages are related to the activities of other corporations in the group, or whether the corporation is engaged in the same or related lines of business as other corporations in the group. It is presumed that corporations which are eligible to be included in a combined return meet the unitary business requirement.

Intercorporate Transactions

In deciding whether there are intercorporate transactions which cause the improper reflection of the activity, business, income or assets of a corporation within New York State, the Commissioner of Taxation and Finance will consider transactions directly connected with the business conducted by such corporations, such as:

- performing services for other corporations in the group,
- providing funds to other corporations in the group, or
- performing related customer services using common facilities and employees.

Service functions will not be considered when they are incidental to the business of the corporation providing such services. Service functions include, but are not limited to, accounting, legal and personnel services. It is not necessary that there be intercorporate transactions between any one member with every other member of the group. For purposes of the intercorporate transactions test, it is essential that each corporation have intercorporate transactions with one other combinable corporation or with a combined or combinable group of corporations.

Specific Instructions for Form CT-32A

Line A — After completing your return, enter the amount of your payment. Your payment should be the full amount shown on line 16.

Schedule I

Minimum Tax

Line 4 — Each corporation included in the combined return, other than the taxpayer paying the combined tax, is required to pay the minimum tax of $250.00. When the combined tax is $250.00, the taxpayer paying the combined tax will also be required to pay the minimum tax of $250.00. A corporation which would not otherwise be taxable in New York State except for its inclusion in a combined return is **not** required to pay the minimum tax of $250.00.

Line 13 — When prepayments exceed total tax, line 11, proceed to the overpayment section, lines 17a through 17e.

Late Filing — Interest and Penalty

Line 14 — Late Filing — Interest — if the tax due is not paid on or before the due date (determined without regard to any extension of time), interest must be paid on the amount of the underpayment from the due date to the date paid. The interest rate should be determined in accordance with Part 603 of the Tax Regulations. If assistance is needed, call 1 800 CALL TAX (1 800 225-5829). From outside New York State call 1-518-438-8581. Interest will be compounded daily.

Line 15a — Late Filing — Additional Charges — Additional charges for late filing are computed on the amount of tax less any payment made on or before the prescribed due date.

a. If a report is not filed when due or if the application for extension is invalid, add to the tax 5% per month up to 25% (Section 1085 (a)(1)(A)).

b. If a report is not filed within 60 days of the prescribed due date, the addition to tax cannot be less than the smaller of $100 or 100% of the amount required to be shown as tax (Section 1085 (a)(1)(B)).

c. For failure to pay the tax shown on a report, add to the tax ½% per month up to 25% (Section 1085 (a)(2)).

d. The total of the additional charges in *a* and *c* may not exceed 5% for any one month except as provided for in *b* (Section 1085 (a)). If you think you are not liable for these additional charges, attach a statement to your report explaining the delay in filing, payment, or both (Section 1085).

Line 15b — Penalty for Underpaying Estimated Tax — Every corporation whose New York State franchise tax liability can reasonably be expected to exceed $1,000 must file a declaration of estimated tax, Form CT-400. A

penalty will be imposed if a taxpayer fails to file a declaration of estimated tax or fails to pay all or any part of an installment payment of estimated tax, see Form CT-222, *Underpayment of Estimated Tax by Corporations.*

Computation of Combined Tax

Each corporation included in the combined return is required to compute entire net income, alternative net income, and taxable assets on Form CT-32 as if it had filed its federal income tax return on a separate basis. When computing combined entire net income (Schedule K) and combined alternative net income (Schedule L) on Form CT-32A, all intercorporate dividends and intercorporate transactions between the corporations included in the combined return must be eliminated. Intercorporate profits are deferred, capital losses are to be offset against capital gains and contributions are to be deducted as if the corporations in the group had filed a consolidated federal income tax return. When computing combined taxable assets (Schedule M) on Form CT-32A, intercorporate stockholdings and intercorporate bills, notes, and accounts receivable and payable and other intercorporate indebtedness between the corporations included in the combined return must be eliminated.

Combined taxable assets do not include the taxable assets of a corporation which has an outstanding net worth certificate issued to the Federal Savings and Loan Insurance Corporation in accordance with Section 406(f)(5) of the Federal National Housing Act, as amended, (12 USC 1729(f)(5)) or issued to the Federal Deposit Insurance Corporation in accordance with Section 13(i) of the Federal Deposit Insurance Act, as amended, (12 USC 1823(i)) for that portion of the taxable year such certificate is outstanding.
Each corporation whose total assets are comprised of 20% or more of interbank placements shall exclude from total assets the first $500 million of interbank placements.

Computation of Combined Allocation Percentages

Each corporation included in the combined return is required to compute the entire net income allocation percentage, alternative entire net income allocation percentage and taxable assets allocation percentage on Form CT-32 as if it had filed its federal income tax return on a separate basis. When computing the combined allocation percentages (Schedule J) on Form CT-32A, the payroll, receipts and deposits factors in each allocation percentage are computed as though the corporations included in the combined return were one corporation. Intercorporate dividends and all other intercorporate transactions including intercorporate receipts and intercorporate deposits between the corporations included in the combined return are eliminated. Riders must be attached to the return setting forth all intercorporate eliminations. The rider must clearly show the amount of the intercorporate transactions and identify the corporations involved in each transaction.

IBF Adjustment to Entire Net Income, Alternative Entire Net Income and Allocation Percentages

If any corporation in a combined return modified entire net income and alternative entire net income pursuant to Section 1453(f), all corporations in the combined return are deemed to have made such modification and are required to compute entire net income, alternative entire net income and the allocation percentages accordingly. If any corporation in a combined return computed entire net income and alternative entire net income pursuant to Section 1454(b)(2), all corporations in the combined return are deemed to have made such election and are required to compute entire net income, alternative entire net income and the allocation percentages accordingly.

Instruction for Form CT-32B, *Computation of Combined Entire Net Income*

New Attachment to be Completed by all Combined Banks to Provide Information for the Department's Report to the Legislature in 1990.

The Bank Tax Reform Act of 1985 charged the Department of Taxation and Finance with the responsibility of providing to the Legislature a wide range of statistical data from the CT-32 and CT-32A reports filed annually by all banking corporations doing business in New York State.

Each combined group should complete Form CT-32B to enable the Department to gather this data.

The data supplied by this schedule will not be reported for individual banks and will be submitted in a summary format.

Combine the figures from each line of the individual Form CT-32, Schedule B, for each member of the combined group and enter at the appropriate line on Form CT-32B.

Also provide the data requested at the bottom of the schedule of Form CT-32B pertaining to combined assets. The information should be taken from Schedule D, Form CT-32.