



# Instructions for Form CT-186-A Tax Return for Gross Operating Income

Article 9, Section 186-a, Tax Law

## General Information

Gross operating income must be reported for the 1988 calendar year even if the taxpayer maintains its records and reports to the IRS using a fiscal accounting period.

The annual return is due on March 15 following the close of each calendar year. If March 15 falls on a Saturday, Sunday or legal holiday in any year, the return is due on the next business day. Mail your return to: NYS Corporation Tax, Processing Unit, P.O. Box 1909, Albany, New York, 12201-1909.

## Who Must File Form CT-186-A

Every utility, person, corporation, company, association or joint-stock association not subject to the supervision of the New York State Department of Public Service who engages in the sale or furnishing of gas, electricity, steam, water, refrigeration, telephone or telegraph service delivered, in whole or in part, through mains, pipes or wires for ultimate consumption or use by the purchaser in New York State must file this return whether or not a tax is due.

Examples of taxpayers required to file Form CT-186-A include:

- Owners of apartment buildings, office buildings, hotels, etc. within New York State who purchase gas, electricity, steam, water or refrigeration and resell or furnish any part or all of the commodity to a guest or tenant at identifiable, flat or metered rates must complete Schedule A.
- Owners of apartment buildings, office buildings, hotels, hospitals, etc., within New York State who purchase telephone facilities and services from a telephone company and resell or furnish such telephone facilities and services to a guest or tenant at identifiable, flat or metered rates must complete Schedule B.
- Providers of customer owned currency operated telephones (COCOTS) within New York State who purchase telephone facilities and services from a telephone company, and resell or furnish such telephone facilities and services must complete Schedule B.
- Providers of one-way paging services in New York State where the subscriber has a receiver, activated by a radio wave which emits a beep, tone or other signal is engaged in the sale of telephone service and must complete Schedule C.
- Providers of two-way mobile radio services in New York State which permits two-way communication between a mobile subscriber and a party using a telephone or mobile radio is engaged in the sale of telephone service and must complete Schedule C.
- Resellers of telephone services (other than hotels, motels, hospitals, COCOTS and other supplementary telephone service providers, included in Schedule B) which purchase telephone facilities and services from a telephone company and resell or furnish such telephone facilities and services in New York State must complete Schedule C.
- Telephone companies, telegraph companies and transmission companies which sell or furnish telephone or telegraph services in New York State must complete Schedule C.

If gross operating income does not exceed \$500 for the year, you are exempt from the payment of tax. However, you must file this annual return.

## Change of Business Information

If there have been any changes in your business' name, ID number, mailing address, business address, telephone number or owner/officer information, complete the enclosed Form DTF-95, *Change of Business Information*. If no form is enclosed, call 1 800 462-9100 (from out of state (518) 438-1073) to request one.

## Exemption from Tax

The following are exempt from taxation under section 186-a:

The State of New York, including its political and civil subdivisions; municipalities of the State of New York; public districts, not-for-profit corporations and associations organized and operated exclusively for religious, charitable or educational purposes; a corporation leasing from a city in New York State a water works system to supply water at cost for the purpose of relieving water pollution in a river within such city; and limited dividend housing corporations organized under the Private Housing Finance Law.

## Metropolitan Transportation Business Tax Surcharge

All corporations that file Form CT-186-A must answer this question. Any business taxable under Article 9, section 186-a of the Tax Law that does business in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-186-A/M and pay a tax surcharge. The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. If you are not doing business in the MCTD you must disclaim liability for the tax surcharge by answering "no" and are no longer required to file Form CT-186-A/M.

## Foreign Corporations — Maintenance Fee and License Fee

Every foreign corporation authorized to do business in New York State must pay an annual maintenance fee of \$200. This fee may be applied against the taxes due under Article 9, except the license fee imposed by section 181. If the total tax (excluding the installment for 1989 on Form CT-186, CT-183 or CT-184) is less than \$200, you may apply any payment made with this return against the \$200 maintenance fee. See Form CT-186, CT-183 or CT-184 for specific instructions.

Foreign corporations must also file a report of license fee. See Form CT-240, *Report of License Fee*.

## Extension of Time for Filing Tax Return

A request for an extension of time to file a tax return must be filed on Form CT-5.9 on or before March 15, 1989. An extension of time granted by the IRS to file a federal tax return does not extend the due date for filing Form CT-186-A.

## Declaration and Payment of Estimated Tax (Sec. 197-a, 197-b)

A taxpayer whose tax in the preceding year exceeds \$1,000 must pay a mandatory first installment equal to 25% of the tax imposed for the preceding year.

In addition to the mandatory installment, a taxpayer whose New York State tax liability can reasonably be expected to exceed \$1,000 must make a declaration of its estimated tax for the current year. The declaration of estimated tax (Form CT-400) must be filed on or before June 15 each year.

The estimated tax shall be reduced by the mandatory first installment paid with the preceding year's tax return and the balance paid in three equal installments due on June 15, September 15 and December 15.

## Specific Instructions

### Computation of Tax

**Line 8** - Enter the total of all payments of estimated tax including overpayment carryover from preceding year.

**Line 10 - Interest** - If the tax is not paid on or before the due date (without regard to an extension of time) you must pay interest on

the amount of the underpayment from the due date to the date paid. Determine the interest rate in accordance with Part 603 of the Tax Regulations or call Taxpayer Assistance at 1 800 CALL TAX (1 800 225-5829), from outside New York State call 1 (518) 438-8581.

**Line 11 - 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 you do not file a return 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 you do not file a return 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. If you do not pay the tax shown on a return, 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 above (section 1085(a)).

If you think you are not liable for these additional charges, attach a statement to your return explaining the delay in filing and/or payment (section 1085).

**Line 12 - Penalties**- If you can reasonably expect your New York State tax liability on Form CT-186-A to exceed \$1,000, you must file a declaration of estimated tax, Form CT-400. A penalty will be imposed if you fail to file a declaration of estimated tax or fail to pay the entire installment payment of estimated tax due. For more information see Form CT-222, *Underpayment of Estimated Tax by Corporations*.

### **Schedule A - Computation of Gross Operating Income (other than Telephone and Telegraph)**

A taxpayer required to complete Schedule A must report all purchases of gas, electricity, steam, water or refrigeration which form the basis for the tax. The taxpayer must show the quantity sold, selling price of the commodity sold and the quantity of the commodity consumed by the taxpayer which was not sold. In determining gross operating income, receipts include cash, credits and property of any kind or nature without any deductions for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense, except as stated in the instructions for line 22.

**Line 19** - Enter the total receipts from the sale or furnishing of each commodity made for ultimate consumption or use within New York State.

**Line 20** - Enter all receipts from services rendered for ultimate consumption or use within New York State which are directly connected with the sale or furnishing of each commodity.

**Line 22** - Deductions allowed from gross operating income are the following:

- the taxpayer's cost of utilities resold on which the tax under Section 186-a was paid by the utility which sold the commodity to the taxpayer,
- uncollectible accounts, and
- taxes imposed by New York State or its municipalities or the federal government where the taxpayer is merely a collecting agency for the taxing authority (e.g. state and local sales tax, federal excise taxes).

Enter all deductions listed above, which are included as receipts on lines 19 and 20.

### **Schedule B - Computation of Gross Operating Income from Supplemental Telephone Services**

Taxpayers such as hotels, motels or apartment houses within New York State, which supplement for their guests or tenants, telephone facilities and services supplied by a telephone company, are engaged in the sale of telephone service and are required to complete Schedule B and compute gross operating income. Also, taxpayers within New York State which sell or furnish telephone facilities and services supplied by a telephone company, through the use of customer owned currency operating telephones COCOTS (e.g. coin operated telephones), are engaged in the sale of telephone service and are required to complete Schedule B and compute gross operating income.

Gross operating income means and includes:

- receipts from the sale or furnishing of telephone facilities and services to guests or tenants which are identifiable at flat or specified rates on the guests bill or tenants lease, and
- receipts from the sale or furnishing of telephone facilities and services through the use of coin operated telephones.

In determining gross operating income, receipts include cash, credits, and property of any kind or nature without any deductions for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense, (except as stated below at line 27).

**Line 24** - Enter all receipts from the sale or furnishing of telephone facilities and services to guests or tenants. Enter all receipts from the sale or furnishing of telephone facilities and services through the use of coin operated telephones. Include all receipts from intrastate, interstate and foreign telephone calls.

**Line 25** - Enter all receipts from services rendered to guests or tenants which are directly connected with the sale or furnishing of telephone facilities and services. Enter all receipts from services rendered which are directly connected with the sale or furnishing of telephone facilities and services through the use of coin operated telephones.

**Line 27** - Deductions allowed from gross operating income are the following:

- charges paid by the taxpayer to a telephone company for telephone facilities and services supplied by the taxpayer to tenants or guests on which the tax under section 186-a was paid by such telephone company,
- uncollectible accounts, and
- taxes imposed by New York State or its municipalities or the federal government where the taxpayer is merely a collecting agency for the taxing authority (e.g. state and local sales tax, federal excise taxes).

Enter all deductions listed above, which are included as receipts at lines 24 and 25.

### **Schedule C - Computation of Gross Operating Income from Telephone and Telegraph Companies and other Transmission Companies**

Taxpayers such as telephone companies, telegraph companies, transmission companies, resellers of telephone services (other than hotels, motels, hospitals, COCOTS and other supplementary telephone service providers included in Schedule B), providers of one-way paging services and providers of two-way mobile radio services which sell or furnish telephone or telegraph transmission services in New York State are required to complete Schedule C and compute gross operating income.

Gross operating income includes the following:

- intrastate gross operating income,
- interstate gross operating income allocated to New York State, and
- foreign gross operating income allocated to New York State.

Interstate and foreign gross operating income allocated to New York State is computed by using either the accounting rule method or formula rule method.

Intrastate gross operating income includes receipts from the sale or furnishing of intrastate telephone or telegraph transmission services for ultimate consumption or use in New York State.

Interstate and foreign gross operating income includes revenues (i.e. receipts) allocated to New York State from the sale or furnishing of interstate and foreign telephone or telegraph transmission services for ultimate consumption in New York State.

In determining gross operating income, receipts include cash, credits and property of any kind or nature without any deductions

for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense, except for the deductions listed below.

Deductions allowed from receipts comprising gross operating income are:

- charges paid by the taxpayer to a telephone company for telephone and transmission services furnished to the taxpayer and then supplied by the taxpayer to its customers, but only if the section 186-a tax was paid by the telephone company on the charges received from the taxpayer for such facilities and services,
- uncollectable accounts, and
- taxes imposed by New York State or its municipalities or the federal government where the taxpayer is merely a collecting agency for the taxing authority (e.g. state and local sales tax, federal excise tax).

Attach a statement itemizing all deductions taken in determining the amounts shown on lines 29, 32 or 51.

Gross operating income from telephone and telegraph transmission services includes receipts such as the following:

- local service receipts from subscriber's stations, public telephones, service stations, local private lines and other local service receipts,
- toll service receipts from message calls, wide area toll services, toll private line services and other toll service receipts,
- miscellaneous receipts from commissions, directory advertising and sales, rent receipts, general service receipts, license receipts and other miscellaneous receipts, and
- any other transmission receipts.

**Line 29** - Enter 100% of receipts which comprise intrastate gross operating income from telephone and telegraph transmission services between points within New York State. Where the taxpayer employs a Uniform System of Accounts as prescribed for federal or state regulatory purposes, enter the amount of receipts which comprise gross operating income from New York intrastate transmission services reflected in such accounts.

**Lines 30 and 31** - Allocation of interstate and foreign gross operating income by accounting rule method. This method is to be used where the taxpayer employs a Uniform System of Accounts as prescribed for federal or state regulatory purposes and such accounts reflect the amount of gross operating income from interstate and foreign transmission services attributable to New York. Enter the amount of receipts which comprise interstate and foreign gross operating income as reflected in such accounts.

**Line 33 through 51** - Allocation of interstate and foreign gross operating income by formula rule method. This method must be used where the taxpayer does not employ a Uniform System of Accounts as prescribed for federal or state regulatory purposes or where the accounting rule method does not properly reflect the amount of gross operating income from interstate and foreign transmission services attributable to New York State.

### Part I - Computation of revenue-producing circuit miles factor

**Line 33** - Enter the number of revenue-producing circuit miles within New York State. Revenue-producing circuit miles within New York State is computed as follows:

The average length in miles of each type of revenue-producing communication pathway within New York State used in connection with interstate and/or foreign transmission services

#### Multiplied by

The number of revenue-producing channels included within each type of revenue-producing communication pathway within New York State used in connection with interstate and/or foreign transmission services.

Attach a statement showing the computation of revenue-producing circuit miles within New York State used in connection with interstate and/or foreign transmission services. List each type of revenue-producing communication pathway separately. Include type of pathway, average length in miles of the pathway, number of channels within the pathway and revenue-producing circuit miles.

**Example:** Computation of revenue-producing circuit miles within New York State.

Communication Pathway	Type	Average length in miles (quarterly basis)	x	# of channels	=	Circuit Miles
#1	Coaxial	100		10,500(EVGC)		1,050,000
#2	Fiber Optical	200		24,000(EVGC)		4,800,000
TOTAL						5,850,000

The term "communication pathway" means any conduit, wire, cable, fiber optical path, microwave signal path, radio signal path or other pathway over which transmissions can be carried.

The average length in miles of each type of revenue-producing communication pathway within New York State is computed on a quarterly basis. At the option of the taxpayer, a more frequent basis such as monthly, weekly, or daily may be used. Whatever basis is used to compute the average length of one type of revenue-producing communication pathway must be used to compute the average length of all types of revenue-producing communication pathways within New York State and everywhere. The length of the revenue-producing communication pathway for satellite transmission is the shortest distance in miles over the surface of the earth between the point on the earth where the signal is sent to a satellite and the point on the earth where the signal is received from the satellite.

The term "channel" means the smallest discrete circuit whereby a message, conversation, data set or signal may be transmitted without destroying or diminishing the capacity to carry the transmission. In general, the number of channels within each type of revenue-producing communication pathway may be measured by equivalent voice grade circuits (EVGC) as shown on Federal Form M-1405. The unit of measurement used to compute the number of revenue-producing channels within a type of revenue-producing communication pathway within New York State must be used to compute the number of channels within that type of revenue-producing communication pathway everywhere.

**Line 34** - Enter the number of revenue-producing circuit miles everywhere.

Revenue producing circuit miles everywhere is computed as follows:

The average length in miles of each type of revenue-producing communication pathway everywhere used in connection with interstate and/or foreign transmission services.

#### Multiplied by

The number of revenue-producing channels included within each type of revenue-producing communication pathway everywhere used in connection with interstate and/or foreign transmission services.

Attach a statement showing the computation of revenue-producing circuit miles everywhere used in connection with interstate and/or foreign transmission services.

**Example:** Computation of revenue-producing circuit miles everywhere.

Communication Pathway	Type	Average length in miles (quarterly basis) *	x	# of channels	=	Circuit Miles
#1	Coaxial	200		10,500(EVGC) **		2,100,000
#2	Fiber Optical	300		24,000(EVGC) **		7,200,000
TOTAL						9,300,000

\* Same basis as shown on computation of revenue-producing circuit miles within NYS

\*\* Same units of measurement as shown on computation of revenue-producing circuit miles within New York State.

**Line 36** - The weight given to the circuit miles factor is 17.5%.

**Part II - Computation of property factor**

**Line 38** - Enter the average value of real property owned within New York State and everywhere which is used in connection with interstate and/or foreign transmission services. Average value means the cost of real property without allowance for depreciation or amortization. The computation of average value is computed on a quarterly basis. At the option of the taxpayer, a more frequent basis such as monthly, weekly or daily may be used. The same method of valuation must be used with respect to real property within New York State and everywhere. Real property shall be determined to be located within New York State if it is physically situated or located in New York State.

**Line 39** - Enter the average value of real property rented to the taxpayer within New York State and everywhere which is used in connection with interstate and/or foreign transmission services. The average value of real property rented to the taxpayer is determined by multiplying gross rents payable during the period covered by this return by eight (8). Gross rents include any amount payable as rent or in lieu of rent, such as interest, insurance, taxes, repairs, etc., and amortization of leasehold improvements that revert to the lessor at the termination of the lease. Real property rented shall be determined to be located within New York State if it is physically situated or located in New York State.

**Line 40** - Enter the average value of tangible personal property owned within New York State and everywhere which is used in connection with interstate and/or foreign transmission services. Tangible personal property means corporeal personal property, such as machinery, tools, implements, goods, wares and merchandise. It does not mean money, deposits in banks, shares of stock, bonds, notes, credits or evidences of an interest in property or debt, or intangible assets. Average value means the cost of tangible personal property without allowance for depreciation or amortization. The computation of average value is computed on a quarterly basis. At the option of the taxpayer, a more frequent basis such as monthly, weekly or daily may be used. The same method of valuation must be used with respect to tangible personal property within New York State and everywhere. Tangible personal property shall be determined to be within New York State if it is physically situated or located in New York State.

**Line 41** - Enter the average value of tangible personal property rented to the taxpayer within New York State and everywhere which is used in connection with interstate and/or foreign transmission services. The average value of tangible personal property rented to the taxpayer is determined by multiplying gross rents payable during the period covered by this return by eight (8). See line 39 instructions for definition of gross rents. Tangible

personal property rented shall be determined to be within New York State if it is physically situated or located in New York State.

**Line 42** - Enter the average value of intangible assets owned within New York State and everywhere which are used in connection with interstate and/or foreign transmission services. Intangible assets include but are not limited to such items as patents, franchises and copyrights. Average value means the cost of intangible assets without allowance for depreciation or amortization. The computation of average value may be computed on a quarterly basis. At the option of the taxpayer, a more frequent basis such as monthly, weekly or daily may be used. However, you must use the same method of valuation with respect to intangible assets within New York State and everywhere. Intangible assets are determined to be within or without New York State by allocating them to the commercial domicile of the taxpayer.

**Line 43** - Enter the average value of extraterrestrial property within New York State and everywhere which is used in connection with interstate and/or foreign transmission services. Extraterrestrial property refers to property such as communication satellites whether owned, rented or leased. Average value means cost without allowance for depreciation or amortization or if rented, the gross rental times eight (8). To determine the average value of extraterrestrial property within New York State multiply the average value of extraterrestrial property everywhere by a percentage determined as follows:

Average value of satellite repeater facilities, earth stations, or other satellite communication facilities within New York State used in connection with interstate and/or foreign transmission services

Divided by

Average value of satellite repeater facilities, earth stations, or other satellite communication facilities everywhere used in connection with interstate and/or foreign transmission services.

**Line 46** - The weight given to the property factor is 82.5%.

**Line 49** - Enter the amount of receipts which comprise gross operating income from interstate telephone and transmission services and multiply by the formula rule allocation percentage from line 48.

**Line 50** - Enter the amount of receipts which comprise gross operating income from foreign telephone and transmission services and multiply by the formula rule allocation percentage from line 48.