



## Instructions for Form CT-33

Franchise Tax Return for Insurance Corporations  
Using Fiscal Reporting Periods Ending After June 30, 1989,  
through November 30, 1989.

### Important information

Chapter 61 of the Laws of 1989, enacted April 19, 1989, affects Article 33 by adding section 1520 and amending section 1503(b)(3).

### Tax surcharge

Section 1520 provides for a tax surcharge to be imposed at the rate of 2½% (.025) on the lower of the taxes computed under sections 1501 and 1510 or by section 1505, before the deduction of any tax credits permitted under section 1511.

The tax surcharge applies to tax years ending after June 30, 1989, and cannot be imposed upon any taxpayer for more than 36 months.

Enclosed are copies of the 1988 franchise tax return, printed on pink paper, which have been revised based on the amended law.

New lines 12b and 12c have been added to Form CT-33 to accommodate the calculation of the tax surcharge. The instructions for these lines will be found below. The instructions for all other lines can be found in the enclosed 1988 Form CT-33-I, *Instructions for Form CT-33*. Any reference to line 12 in the CT-33-I should be read as line 12a.

See the special instructions and worksheet below for corporations claiming a refund based on the retaliatory tax credit.

For more information about these recent tax law changes see TSB-M-89(5)C.

### Amended section 1503(b)(3) interest deduction

Section 1503(b)(3) was amended to limit the interest deduction when computing entire net income, to the extent not previously deducted in computing federal taxable income, for:

- (a) interest on indebtedness incurred or continued, to purchase or carry obligations or securities, the

income from which is subject to tax under Article 33 but exempt from federal income tax;

- (b) ordinary and necessary expenses paid or incurred during the tax year attributable to income which is subject to tax under this article but exempt from federal income tax; and
- (c) the amortizable bond premium for the tax year on any bond the interest on which is subject to tax under Article 33 but exempt from federal income tax.

The amendment to section 1503(b)(3) is effective for tax periods ending on or after April 19, 1989.

Use Form CT-33, Schedule G, line 68, to make this modification to entire net income.

### Instructions

#### Tax surcharge computation

##### Line 12b

The tax surcharge is computed on the largest tax (before the deduction of any tax credits) computed under sections 1501 and 1510 or the limitation on tax computed under section 1505. This is the amount found on Form CT-33 at line 10. Multiply the amount on line 10 by 2½% (.025).

The tax surcharge **cannot** be reduced by any tax credits.

#### Refundable retaliatory tax credit

The retaliatory tax, computed in Schedule J, may be applied against the franchise tax determined in Schedule A, line 10, but it **cannot** be applied against the 2½% (.025) tax surcharge.

An insurance corporation may elect to have its excess retaliatory tax credit either credited to the following tax period or refunded without interest. Use the following worksheet to compute the excess retaliatory tax credit. Attach a copy of the worksheet to Form CT-33.

**Excess Retaliatory Tax Credit Worksheet**

- 1. Available retaliatory tax credit from Schedule J, line 89 . . . . . 1. \_\_\_\_\_
- 2. Retaliatory tax credit used on Schedule A, line 11, to reduce the tax due on line 12a to zero . . . . . 2. \_\_\_\_\_
- 3. Excess retaliatory tax credit (subtract line 2 from line 1) . . . . . 3. \_\_\_\_\_
- 4. Amount to be credited to next period (enter on Schedule A, line 20b) . . . . . 4. \_\_\_\_\_
- 5. Amount to be refunded (enter on Schedule A, line 20f) . . . 5. \_\_\_\_\_

**First installment - Line 13**

If you **did not file** Form CT-5.2 and the amount of tax and tax surcharge on line 12c exceeds \$1,000, enter 25% (.25) of that amount.

**Extension of time for filing tax return - Form CT-5.2**

You may request a six-month extension to file Form CT-33 by filing Form CT-5.2 and paying the tax due within 2½ months after the close of the tax year.

The payment of the franchise tax and the 2½% (.025) tax surcharge must either:

- equal or exceed the amount of franchise tax for the preceding tax period (if it was a period of 12 months) plus an amount equal to 2½% (.025) of the preceding year's tax before the deduction of any tax credits;
- or
- equal or exceed 90% of the franchise tax as finally determined plus 90% of the 2½% (.025) tax surcharge as finally determined.

**Declaration of estimated tax — Form CT-400**

Except for the mandatory 25% first installment paid with the Form CT-33 or CT-5.2, it is not necessary to estimate the tax surcharge when filing a *Declaration of Estimated Tax*, Form CT-400.

**Metropolitan transportation business tax surcharge**

The computation of the metropolitan transportation business tax surcharge (Form CT-33-M) is not affected by the new 2½% (.025) tax surcharge.

The computation of the MTB tax surcharge will continue to be based on the franchise tax less tax credits as shown on the revised Form CT-33 in Schedule A, line 12a.