



New York State
City of New York
City of Yonkers

New York State Department of Taxation and Finance

Nonresident and Part-Year Resident Instructions

Income
Tax
Return

IT-203-I

Instructions for Form IT-203

Changes for 1988 (see page 2)

- New York State's Tax Reform and Reduction Act
- New Simplified Filing for Change of New York State Resident Status
- Child Care Credit Claimed Directly on Form IT-203
- Top Tax Rate on Earned Income Reduced
- Rate of Additional Tax on Unearned Income Decreased
- Standard Deduction Continues to Increase
- New York Exemptions Allowed Only for Dependents
- Two-earner Married Couple Deduction Repealed

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*

From the Commissioner

The Tax Reform and Reduction Act of 1987 has substantially changed the method of figuring your 1988 tax. Before you fill out your nonresident and part-year resident return, be sure to review these instructions, particularly the section entitled *Major Changes* on page 3.

You may also want to consider whether it is to your advantage to use the standard deduction instead of itemizing your deductions. The standard deduction is greatly increased this year. For married couples it jumps from \$5,300 to \$8,500 and for single taxpayers from \$3,600 to \$5,000. Using the standard deduction will simplify filing for hundreds of thousands of taxpayers.

Other important changes include a simplified way of filing if you were a state resident for only part of the year, and of claiming the child care credit directly on the Form IT-203 without any attachments. Although personal exemptions may still be claimed for dependents, exemptions for taxpayers and their spouses have been eliminated. Instead, taxpayers will benefit from the greatly increased standard deduction. The two-earner deduction has also been eliminated because its benefit has been folded into the tax rate schedule. In addition, the maximum tax rate on earned income falls from 8.75% to 8.375%, and the additional tax on unearned income falls from 3% to 2%.

Because of these changes and the reductions in withholding taxes, some taxpayers who ordinarily receive refunds may now find that too little is being withheld. You should consider whether you need to change the amount of tax withheld by your employer. To do this, you have to file an IT-2104 with your employer.

To take full advantage of the tax cuts and reform, review all of the changes carefully. As in the past years, trained technicians on our 1 800 CALL TAX hotline are on hand to answer your questions (if you are calling from outside New York State call (518) 438-8581). We view each taxpayer as a client, and we are striving to provide you the information and service you need and should expect.

James W. Wetzler,
Commissioner

New York State's Tax Reform and Reduction Act of 1987

As New York's Tax Reform and Reduction Act of 1987 is fully implemented over the next four years, it will return more than \$11 billion in income taxes to state taxpayers -- including the windfall from federal tax reform.

The program has already consolidated many tax benefits into a larger standard deduction, eliminated the three-column tax return, and reduced paperwork and the number of tax forms. Further changes, described below, have been phased in for the 1988 tax year.

The following table compares the tax law in 1987 through 1991, when tax reform will be fully implemented:

	1987	1988	1989	1990	With Reform Fully Implemented 1991
Top rate on earned income	8.75%	8.375%	7.875%	7.375%	7%
Top rate on unearned income	8.75%*	8.375%*	7.875%	7.375%	7%
Standard married deduction	\$5,300	\$8,500	\$9,500	\$11,250	\$13,000
Standard head of household deduction	\$4,600	\$6,000	\$7,000	\$8,750	\$10,500
Standard single deduction	\$3,600	\$5,000	\$6,000	\$6,750	\$7,500
Dependent exemption amount	\$900	\$1,000	\$1,000	\$1,000	\$1,000

* On New York adjusted gross income of \$100,000 or less (\$50,000 or less if married filing a separate return).

Specific Changes for 1988 include:

- **New Simplified Filing for Change of New York State Resident Status**

The two-return filing requirement for New York State resident status changes is eliminated. Instead of filing Forms IT-201, IT-203 and IT-360, part-year state residents need file only Form IT-203. Form IT-360.1 will continue to be used to report changes of New York City or Yonkers resident status.

- **Child Care Credit Claimed Directly on Form IT-203**

You no longer have to attach Form IT-203-ATT to your Form IT-203 to claim the New York State child and dependent care credit. If you qualify, simply fill in the requested information on line 56 when completing your Form IT-203.

- **Top Tax Rate on Earned Income Reduced**

The top tax rate on earned income for 1988 was reduced to 8.375 percent, down from 8.75 percent for 1987.

- **Rate of Additional Tax on Unearned Income Decreased**

The rate of additional tax on unearned income is lowered from 3 percent to 2 percent for 1988. This is the last year for this tax.

- **Standard Deduction Continues to Increase**

The New York State standard deduction was raised again for 1988. For the new increased amounts, see the chart above.

- **New York Exemptions Allowed Only for Dependents**

Beginning in 1988, personal exemptions for you and your spouse are no longer allowed on your New York return. However, you can still claim a New York exemption for each dependent that you claimed on your federal return. The value of each New York dependent exemption is increased from \$900 to \$1,000.

- **Two-earner Married Couple Deduction Repealed**

The new 1988 tax table for joint filers has eliminated the need for the two-earner married couple deduction.

Major Changes

Forms

This year's Form IT-203 has been changed. Although the form should be easier to use, it is different from previous years' form, and we urge you to be careful in completing it.

Nonresidents

The Tax Reform and Reduction Act of 1987 has substantially changed the method of figuring your 1988 tax. You must first figure a base tax as if you were a New York State resident, including income, gains, losses and deductions from all sources. Then you

multiply the base tax by a fraction whose numerator is income from New York State sources, and whose denominator is federal adjusted gross income.

Another change for this year requires taxpayers who were part-year residents of New York State to file Form IT-203. Please read the instructions carefully as some instructions apply only to part-year residents.

Part-year residents

File Form IT-203 if you moved into or out of New York State during 1988. The method of figuring your tax is similar to that used by

nonresidents of New York State except that if you moved out of New York State during 1988, you must include on Form IT-203 any items of income, gain, loss or deduction that you received or accrued up to the time that you changed your residence. If you moved into New York State you may also be required to make special accruals. See *Income Subject to Tax* on page 5 of these instructions for more information on special accruals.

A part-year resident income allocation worksheet has been provided to help you determine your New York source income.

Who Must File

New York nonresidents

You must file a New York State return, Form IT-203, if you have New York source income included in your federal adjusted gross income and your federal adjusted gross income plus New York additions is more than your New York standard deduction.

New York source income is the sum of the net amount of items of income, gain, loss and deduction derived from or connected with New York sources, including your share of those items from partnerships, S corporations and estates and trusts. See *Income Subject to Tax* on page 5 for more information.

If you do not have to file a federal return, use the federal instructions to see what your filing status and federal adjusted gross income would have been. Then continue with these instructions to see if you must file a New York return.

You must file Form IT-203 if you had New York source income and your federal adjusted gross income (plus New York additions*) is more than:

If your federal filing status is:

single, and you can be claimed as a dependent on another taxpayer's federal return	\$2,800
single, and you cannot be claimed as a dependent on another taxpayer's federal return	\$5,000
married filing joint return	\$8,500
married filing separate return	\$4,250
head of household	\$6,000
qualifying widow(er)	\$8,500

* See instructions for lines 20 through 23 on pages 13 and 14 for an explanation of New York additions.

Even if your income was not more than the amounts shown above, you must file a New York return if:

- you are subject to the minimum income tax on tax preference items derived from or connected with New York sources. For further information, see *Other Forms You May Have to File* (Form IT-220, *Minimum Income Tax*) on page 5 of these instructions.
- you are subject to a separate tax on any lump-sum distributions derived from or connected with New York sources. See *Other Forms You May Have to File* (Form IT-230, *Separate Tax on Lump-Sum Distributions*) on page 5 of these instructions.
- you want to claim a refund of any New York State, New York City or Yonkers income tax that was withheld from your pay.
- 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.

Part-year residents

The filing requirements for part-year residents are the same as for nonresidents. However, the New York source income of a part-year resident is the sum of the following with adjustments for special accruals. (For further information, see *Special Accruals* on page 5 of these instructions):

- your federal adjusted gross income for the period of residence, computed as if your taxable year for federal income tax purposes were limited to the period of residence; and
- your New York source income for the period of nonresidence determined as if your taxable year for federal income tax purposes were limited to the period of nonresidence.

Nonresidents of New York City and Yonkers

If you were not a resident of New York City or Yonkers but you earned wages or self-employment income in either 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.

Forms NYC-203 and 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 of New York City and Yonkers

If you changed your New York City or Yonkers resident status during the year, you must complete Form IT-360.1, *Change of City Resident Status*, and pay New York City resident tax or Yonkers resident income tax surcharge for the part of the year that you lived in New York City or Yonkers. If you earned wages in one of these cities or conducted a trade or business there (either as an individual or a member of a partnership) during the part of the year that you were not a New York City or Yonkers resident, you must complete Form NYC-203, *City of New York Nonresident Earnings Tax Return*, or Form Y-203, *City of Yonkers Nonresident Earnings Tax Return*, and pay any tax due. For more information, see IT-360.1-1, *Instructions for Form IT-360.1*.

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 IT-204-1, *Instructions for Form IT-204*. If your partnership carried on a business in New York City, it may also be required to file Form NYC-204, *City of New York Unincorporated Business Tax Partnership Return*. For more information, see the instructions for Form NYC-204. You can get this form and its instructions by calling the NYC Department of Finance, Taxpayer Assistance at 1 (718) 935-6000, or by visiting the NYC Department of Finance, Forms Distribution Window, 25 Elm Place, 3rd floor, Brooklyn, NY from 9 a.m. to 5 p.m., Monday through Friday. The NYC Department of Finance also operates an automated New York City tax forms ordering service, 24 hours a day, seven days a week; call 1 (718) 935-6739. Since New York State does not administer the New York City unincorporated business tax, do not file your NYC-204 with your state return.

Who Must File *(continued)*

Estates and trusts

Estates and trusts are subject to the New York State personal income tax. The fiduciary for an estate or trust must file Form IT-205, *New York State Fiduciary Income Tax Return*. Each nonresident and part-year resident beneficiary of an estate or trust must include his or her share of the estate or trust income, if any portion of that income is derived from or connected with New York sources, on Form IT-203. For more information on responsibilities of beneficiaries, see *Beneficiaries (estates and trusts)* on page 13 of these instructions.

Estimated income tax for estates and trusts

Estates and trusts are required to make estimated tax payments. However, estates are exempt from paying estimated tax for the first two years after the decedent's death. Generally, an estate or trust must pay estimated tax if the estate or trust is expected to owe, after subtracting its withholdings and credits, at least \$100 in New York income tax for 1989 and can expect withholding to be less than:

- 90% of the tax shown on the 1989 return, or
- 100% of the tax shown on the 1988 return (assuming the return covered all 12 months).

A trust fiduciary who makes an election to allocate the trust's estimated tax overpayment among the trust's beneficiaries must file Form IT-205-T. For more information, see the instructions for Form IT-205.

Deceased taxpayers

An executor, administrator or spouse has to file a New York State return for a nonresident or part-year resident taxpayer who died before filing a 1988 return. If a joint federal income tax return was filed for the deceased taxpayer and the surviving spouse, a joint New York State return must be filed on Form IT-203. For more information, see *Joint and separate returns for married taxpayers* on this page. The filing due date is the same as if the taxpayer had lived.

Complete the box labeled "If taxpayer is deceased" in the name and address area of Form IT-203 by entering the decedent's first name and date of death.

If you are claiming a refund for a deceased taxpayer, you may have to file Form AU-281.17, *Survivor's Affidavit*. Call or write us for this form. See *How to get forms* on page 6 of these instructions.

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, any other New York income (including your spouse's income) may be subject to tax.

If your permanent home (domicile) was in New York State when you entered the military, you are still a New York State resident even if you are stationed in another state or country. Generally, your domicile does not change when you are serving temporarily in the armed forces of the United States. However, if you meet all three conditions in Group A on this page 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.

Your barracks, bachelor officer's quarters or quarters on ship generally do not qualify as a permanent place of abode.

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

City Taxes: If you were a New York City or Yonkers resident when you entered the military and if your military pay is subject to New York State income tax, it is also subject to New York City or Yonkers taxes. However, if you meet the conditions for nonresident status, your military pay is not subject to the New York City or Yonkers nonresident earnings tax.

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

Resident, nonresident and part-year resident 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 you intend to have as your permanent home. Your domicile is, in effect, the **state** where your permanent home is located. It is the place you intend to return to whenever you may be away (as on vacation abroad, business assignment, educational leave, or military assignment).

You can have only one domicile. Your New York domicile is not changed until you can demonstrate that you have abandoned your New York domicile and established a new permanent domicile outside of New York State.

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. For example: Mr. Green of ABC Electronics in Elmira, New York, was temporarily assigned to the Atlanta, Georgia, branch office for two years. After his stay in Atlanta, he returned to his job in New York. His domicile did not change during his stay in Georgia; it remained New York State.

If your domicile is New York State and you go to a foreign country because of a business assignment by your employer, or for study, research or any other purpose, your domicile does not change unless you show that you definitely do not intend to return to New York. For more information, see Publication 362, *U.S. Citizens Abroad*.

A *permanent place of abode* is a residence (a building, or structure where a person can live) you permanently maintain, whether you own it or not, and usually includes a residence your husband or wife 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:

- a) 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

- b) 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

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

Group B

- 1) You were in a foreign country for at least 450 days during any period of 548 consecutive days; and
- 2) 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
- 3) During the nonresident portion of the taxable year in which the 548-day period either begins or ends, you were present in New York State for no more than the number of days which bears the same ratio to 90 as the number of days in such portion of the taxable years bears to 548. This condition is illustrated by the following formula:

$$\frac{\text{Number of days in the nonresident portion}}{548} \times 90 =$$

Maximum number of days allowed in New York State.

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

Nonresident — You are a New York State nonresident if you were not a resident of New York State for any part of the year.

Part-year resident — You are a New York State part-year resident if you meet the definition of resident or nonresident for only part of the year.

Joint and separate returns for married taxpayers

If you filed separate federal returns, you must each file a separate Form IT-203. **If you filed a joint federal return,** you generally must file a joint state return. However, separate returns are required for some married taxpayers who file a joint federal return. If one of you was a New York State resident and the other was a nonresident or part-year resident, you must each file a separate New York return. The New York State resident must use Form IT-200 (if your joint federal return was Form 1040A) or Form IT-201 (if your joint federal return was Form 1040); the nonresident or part-year resident, if required to file a New York return, must use Form IT-203. However, if both of you choose to file as New York residents, you may file a joint New York State return. Use Form IT-200 if your joint federal return was Form 1040A; use Form IT-201 if your joint federal return was Form 1040.

Income Subject to Tax

If you are a nonresident or a part-year resident of New York State and you have New York source income, you must figure a base tax on income, gains, losses and deductions from all sources as if you were a resident. In computing the base tax for part-year residents, New York adjusted gross income will include the special accruals (defined below), with any applicable modifications (see *New York Additions* beginning on page 13 and *New York Subtractions* beginning on page 14) as if the accrued items were includable or allowable for federal income tax purposes. The base tax is then multiplied by a percentage which is computed by dividing your New York source income (defined below) by your federal adjusted gross income. The federal adjusted gross income of a part-year resident must include special accruals as defined below.

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 lump-sum distributions derived from or connected with New York sources; and
- the additional tax on unearned income derived from or connected with New York sources.

Special accruals

If you **moved out** of New York State, you must accrue any item of income, gain, loss or deduction which, under an accrual method of accounting, would be reportable at the time you changed your residence. This includes income or gain you elected to report on the installment basis. You also have to accrue to New York State items of tax preference subject to the minimum income tax (Form IT-220) and the total taxable amount of lump-sum distributions subject to the separate tax on lump-sum distributions (Form IT-230).

Accruals are not required if you file a bond or other acceptable security in an amount equal to or greater than the amount of additional New York State income tax that would be due

if the accrued items were included on your part-year resident return, and you include the accrued amounts on your New York nonresident return for subsequent taxable years as if no change in resident status occurred. If you elect to file a bond or other acceptable security instead of accruing income, you will need Form IT-260, *Surety Bond Form*, and Form IT-260.1, *Change of Resident Status - Special Accruals*. See *How to get forms* on page 6 for information on how to obtain these forms.

Recipients of New York State lottery payments which are includable in New York adjusted gross income and are payable over a period longer than one year, may file Form IT-2104-L, *Lottery Winner's Request for Income Tax Withholding*, to satisfy the special accruals provision of the Tax Law.

If you became a New York State resident during the taxable year, you must accrue any item of income, gain, loss or deduction which, under an accrual method of accounting, would be reportable at the time you changed your residence, except that no accrual is required or allowed for items of income, gain, loss or deduction derived from or connected with New York State sources.

Any item of income, gain, loss or deduction accrued up to the time you changed your residence must be excluded in determining your New York source income, New York adjusted gross income, minimum taxable income or total taxable amount of lump-sum distributions, for the year of change or any subsequent year.

New York source income

Nonresident — The New York source income of a nonresident is the sum of the income, gain, loss or deduction derived from or connected with New York State included in your federal adjusted gross income. 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.

New York source income does **not** include the following income even if it was included in the 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; or
- 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.

Part-year resident — The New York source income of a part-year resident is the sum of the following with adjustments for the special accruals defined on this page:

1. all income reported on your federal return for the period you are a resident of New York State; and
2. the New York source income for the period you were a nonresident of New York State.

Other Forms You May Have to File

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 or New York City taxes. You can also use this form to claim other New York State credits. You must complete Schedule A on the back of 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. The worksheet for figuring the additional tax on unearned income also appears on the back of this form. Everyone who has New York adjusted gross income in excess of \$100,000 (\$50,000 for married taxpayers filing separate returns) must complete it. For more information, see *Instructions for Form IT-203-ATT* on page 22.

Form IT-220, Minimum Income Tax. Complete this form if you have federal tax preference items such as ACRS depreciation, intangible drilling costs, incentive stock options or charitable contributions of appreciated property 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.

Form IT-221, Disability Income Exclusion. Complete this form to figure the amount of your disability income that may be excluded from income on Form IT-203. To qualify you must have retired due to permanent and total disability and you must not have reached age 65 when your tax year ended. For more information, see Form IT-221.

Form IT-230, Separate Tax on Lump-Sum Distributions. Complete Form IT-230 if you used federal Form 4972 to figure your federal tax on a lump-sum distribution from a qualified retirement plan. For more information, see the instructions for Form IT-230.

Form IT-270, Tuition Deduction. You may deduct part of the tuition paid (up to \$1,000) for each dependent in full-time attendance at a college located in New York State. To claim this deduction, fill in Form IT-270, *Tuition Deduction*, and attach it to your return.

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 and 1984, and

for property placed in service outside New York State in taxable years beginning after December 31, 1984 (including property on which ACRS depreciation was figured in accordance with the federal Tax Reform Act of 1986). Also use Form IT-399 to figure your adjustment for the federal ACRS deduction and the year of disposition adjustment. For more information, see Form IT-399.

Form IT-2105, Estimated Tax for Individuals. If you expect your 1989 tax withheld to be less than 90% of your 1989 tax and less than 100% of your 1988 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 New York State or New York City or 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 1988, you will automatically receive a 1989 estimated tax packet in the mail. If you did not pay estimated tax for 1988, 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 *How to get forms* on page 6.

Other Forms You May Have to File *(continued)*

Amended returns or federal changes

Generally, an amended return claiming credit for, or a refund of, an overpayment must be filed within three years of the date that the original return was filed, or within two years of the date the tax was paid, whichever is later.

However, if you file an amended federal return showing a change in your taxable income, tax preference items, total taxable amount or capital gain or ordinary income portion of a lump-sum distribution, or credit for child and dependent care expenses, you must also file an amended New York State return within 90 days from 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 error on your original nonresident return and to report changes made by the Internal Revenue Service.

If the Internal Revenue Service changes the taxable income, tax preference items, total taxable amount or capital gain or ordinary income portion of a lump-sum distribution or disallows your refund claim or credit for child and dependent care expenses that you reported on your federal return and the change increases or decreases your New York State tax, you must report these changes to the New York State Tax Department within 90 days from the date the Internal Revenue Service makes its final determination. Attach a copy of the federal report of examination changes.

To amend your original Form IT-203, get a blank Form IT-203 for that year and write "Amended" at the top of the front page. Complete the form by entering the corrected information. Attach payment for any additional tax plus interest that may result from these changes. Send it to: NYS Income Tax, W. A. Harriman Campus, Albany, NY 12227-0125.

Since we cannot act on your amended return until we have completed the processing of all original returns, there may be some delay in processing your amended return.

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

How to get forms

You can get forms and publications at many New York State banks and public libraries, or by using the *Forms Order Blank* in the tax packet mailed to you. You can also get forms by calling toll free (from New York State only) 1 800 462-8100. From areas outside New York State, call (518) 438-1073. If you want to write instead of calling, address your letter to **NYS Tax Department, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany, NY 12227**.

Reminders

Wage and tax statements

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, New York City and Yonkers taxes withheld from your pay during the year.

If you received periodic annuity, pension, retired pay or IRA payments and 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, New York City and Yonkers tax withheld from your payments during the year.

If you received payments from New York State lottery winnings and you had income tax withheld from those payments, the New York State Division of the Lottery will give you Form IT-2102-L, *Statement for Recipients of New York State Lottery Winnings*. This statement shows your total payments and the amount of New York State, New York City and Yonkers taxes withheld during the year.

You must attach Copy 2 of your wage and tax statement(s) to the area indicated on the front of your return. If you have not received your statement by February 15, 1989, or if it is incorrect or lost, contact your employer.

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.

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 get Publication 50, *Information for Paid Preparers*

of *New York Income Tax Returns*, for more details.

Name and social security number

You must enter your name and social security number on all forms you send to us. **If you are making a payment, write your social security number and "1988 Income Tax" on your check or money order.**

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 as long as it complies with the guidelines in Publication 75, *Specifications for Reproduction of 1988 New York State Income Tax Forms*.
- Your software must conform to current federal and state income tax laws.

Don't Delay Your Refund

We want to send your refund to you as soon as possible. You can help us by filing an error-free return. This way, we will not have to send your return back to you for your signature or ask for other information such as your wage and tax statements or your correct filing status. Please check the figures on your return and carefully follow steps 5, 6, 7, 8 and 9 on pages 20 and 21 of these instructions.

Where to File

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

For refund returns —
NYS Income Tax
W. A. Harriman Campus — Refund '88
Albany, NY 12227-0125

For all other returns—

NYS Income Tax
W. A. Harriman Campus
Albany, NY 12227-0125

When to File

File your return as soon as you can after January 1, 1989, but not later than **April 17, 1989**. If you file late, you may have to pay penalties and interest. See *Penalties and Interest* on page 7.

Extension of time to file — If you know that you cannot meet the April 17 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, if required, pay the tax you owe with it. If you do not expect to owe any tax and you are filing federal Form 4868 to extend the time to file your federal return, you can also use a copy of your Form 4868 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: NYS Income Tax, Processing Division 46-C, W. A. Harriman Campus, Albany, NY 12227.

If you are traveling or living outside the United States on April 17, 1989, you are automatically granted an extension to June 15, 1989, to file your federal and state returns. For more information, see Publication 362, *U.S. Citizens Abroad*.

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.

Penalties and Interest

Interest — Daily compounded interest will be charged on income tax that is not paid on or before April 17, 1989, even if you received an extension of time to file your return. Interest is a charge for the use of money and may not be waived.

If we have to pay interest to you because we don't issue your refund check by July 17, 1989 (or, if your return is filed after April 17, 1989, within 3 months from the date it is 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 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 the lesser of \$100 or 100% of the amount required to be shown as tax due on the return, reduced by any tax paid and by any credit which may be claimed. For information on getting an extension of time to file your return, see *When to File* on page 6.

Late payment penalty — If you do not pay your tax when due, you will be charged a penalty of ½ of 1% of the unpaid amount for each month or part of a month it is not paid (maximum 25%). 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.

If you figure your tax incorrectly — You may have to pay a penalty if the tax you report on your return is less than your correct

tax. If you are off by more than 10% or \$2,000, whichever is more, you may have to pay this penalty. The penalty is 10% of the difference between the tax you reported and the tax you actually owe.

Underpayment of estimated tax penalty — If your 1988 withholding and estimated tax payments do not equal at least 90% of your 1988 tax or 100% of your 1987 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 and Fiduciaries*, 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 of the Tax Law or the processing of the return.

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 your return.

Failure to provide the requested information may result in civil penalties under section 685, 1312, 1332 and 1342 of the Tax Law or criminal penalties under Article 37 of the Tax Law, or both.

This information will be maintained by the Director, Data Management Services Bureau, Processing Division, Department of Taxation and Finance, W. A. Harriman Campus, Building 8, Room 905, Albany, NY 12227; telephone (from New York State only) 1 800 CALL TAX (1 800 225-5829); from outside New York State, call (518) 438-8581.

Resolving Tax Problems

The best ways to avoid tax problems are to keep accurate tax records and to stay on top of current tax requirements. Inside this booklet is information that can help you do both; it refers to free publications you can order and gives numbers you can call for answers to your specific questions.

Most tax problems can be resolved informally. If your refund is late, call our refund information number; if you receive a tax deficiency notice that you think is in error, promptly call the number listed on the notice for guidance. Your tax packet also lists a toll free number for ordering any forms you might need.

If you have made two or more attempts to resolve your problem and feel that you aren't getting anywhere, you may want to turn to our Problem Resolution Program, which is described on page 8. The program is set up specifically for taxpayers who have tried to resolve their problems through the normal channels but have been unsuccessful.

Only a relative handful of tax problems fail to be resolved by these informal means. However, if you are issued a *Notice of Deficiency* or a refund denial and you feel that the Tax Department has made a mistake, you still have a number of options available to you:

- You can request a **conciliation conference** through the newly established Bureau of Conciliation and Mediation Services. The conference is conducted informally by a conferee who issues an order that is binding on the Tax Department, but not on you (you can appeal by filing a petition for a formal hearing, as explained below). To set up a conference, get Form CSM-1, *Request for Conciliation Conference*, by calling toll free (from New York State only) 1 800 462-8100 (from areas outside New York State, call (518) 438-1073) or by writing to the Bureau of Conciliation and Mediation Services, NYS Tax Department, W.A. Harriman Campus, Albany, NY 12227.
- You can request a **small claims hearing** before an impartial presiding officer if the disputed amount is within certain dollar limitations set by the *Rules of Practice and Procedure*. The presiding officer's decision is final, but at any time before the end of the small claims hearing, you can request a transfer to a formal hearing before an administrative law judge. A copy of the *Rules of Practice and Procedure* will be sent to you when you request a petition form as explained below.
- You can file a petition for a **tax appeals hearing**. The hearing is held before an administrative law judge, and both you and the Tax Department may appeal the judge's decision to the Tax Appeals Tribunal. The Tax Department cannot seek a review of the Tribunal's decision, but you can by instituting an Article 78 proceeding in the Appellate Division of the State Supreme Court. You can get the petition forms by writing to the Division of Tax Appeals, Building 9, W.A. Harriman Campus, Albany, NY 12227.

Need Help?

Information

We will answer your tax questions if you call us, but we cannot fill in your return for you.

For **information** or answers to your New York State tax questions, call toll free (from New York State only) **1 800 CALL TAX (1 800 225-5829)**. 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 Tax Department supervisor 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 **NYS Tax Department, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany, NY 12227**.

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 17; then call toll free (from New York State only) 1 800 443-3200. From areas outside New York State, call (518) 430-6777.

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 *Information* on this page).

Steps for Preparing Your Return

Prepare your federal return first; much of the information on your New York State nonresident and part-year resident 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 and publications you need

If you need any forms or publications, see *How to get forms* on page 6.

Step 2

Get your tax records together

If you received a salary or wages, get all your 1988 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 15, or if the form you received is incorrect, contact your employer.

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

If you had tax withheld from lottery winnings payments, you will need your New York State Form IT-2102-L.

If you are a part-year resident and you paid income taxes to another state, a local government within another state, the District of Columbia or a province of Canada during your period of New York State residence, get a copy of the income tax return you filed with that taxing authority.

If you made payments during the year for your New York State, New York City, or Yonkers estimated tax, check your payments or credits that were applied to your 1988 tax year.

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

Step 3

Fill in your return

Fill in your return using the line-by-line instructions for Form IT-203 that begin on page 9. Then continue with Step 4 on page 20.

Return a Gift to Wildlife

Look For This Line

If you want to
Return a Gift to Wildlife
enter amount \$5, 10, 20, other 00

On Your NYS Tax Form



Return
a Gift to
Wildlife

 MARIO M. CUOMO, Governor
THOMAS C. JORLING, Commissioner, Department of Environmental Conservation

Thanks
to hundreds of
thousands of
taxpayers like
yourself, Return a
Gift to Wildlife has
contributed more
than \$10 million to
the enhancement
of our precious
fish and wildlife
resources.

Help support the
future of the state's
fish and wildlife
resources...

Return a Gift to
Wildlife on your
New York State tax
form.

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, 1988, 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 the front page.

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 20 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. In nearly all cases, you must use the same filing status on your state return that you used on your federal return. (If you did not file a federal return, use the same filing status that would have been allowed for federal income tax purposes.)

The only exception to this rule applies to married taxpayers who file a joint federal return where one spouse is a New York State resident and the other is a nonresident or part-year resident. In this case you must either:

- 1) file separate New York returns using filing status ③; or
- 2) file jointly, as if you both were New York State residents, using filing status ②. Use Form IT-200 if your joint federal return was Form 1040A; use Form IT-201 if your joint federal return was Form 1040.

Item B

Can you be claimed as a dependent?

If you can be claimed as a dependent on another taxpayer's 1988 federal return, check the **Yes** box. If not, check the **No** box.

Item C

Part-year residents

If you were a New York State resident for part of the year, check the box which describes your situation on the last day of the tax year.

- If you moved into New York State, check box 1. The Tax Department will mail you a resident tax packet (IT-201-P) next year.
- If you moved out of New York State and you continue to receive income from New York State sources, check box 2. The Tax Department will mail you a nonresident and part-year resident tax packet (IT-203-P) next year.
- If you moved out of New York State and no longer receive income from New York State sources, check box 3. The Tax Department will not mail you a tax packet next year.

Federal Income and Adjustments

As a **nonresident**, you are subject to New York State tax on all the income you received from New York State sources. As a **part-year resident**, you are subject to New York State tax on the income you received while you were a resident and on all the income you received from New York State sources while you were a nonresident. You must figure a base tax on income, gains, losses and deductions from all sources as though you were a resident. In computing the base tax for part-year residents, New York adjusted gross income will include the special accruals (as defined on page 5), with any applicable modifications (see *New York Additions* beginning on page 13 and *New York Subtractions* beginning on page 14) as if the accrued items were includible or allowable for federal income tax purposes. The base tax is then multiplied by a percentage which is computed by dividing your New York source income (see *New York source income* on page 5 of these instructions) by your federal adjusted gross income. The federal adjusted gross income of a part-year resident must include special accruals as defined on page 5.

Lines 1 through 19 are a summary of the items that make up your federal adjusted gross income. Enter in the Federal Amount column the total amount reported on your federal return for each of the items listed. **If you were a part-year resident, also include in the Federal Amount column all items you would be required to include if you were filing a federal return on the accrual basis.** Enter in the New York State Amount column 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 5 to determine what constitutes income derived from or connected with New York State sources).

For part-year residents, an income allocation worksheet has been provided on page 12 to help you determine your New York source income.

If you checked filing status ② 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. **If you were a part-year resident, also include in the Federal Amount column all items you would be required to include if you were filing a federal return on the accrual basis.** The New York State Amount column should be completed for the spouse who had income from New York State sources.

You do not have to attach an explanation of how you figured amounts reported on lines 1 through 19 unless the total of the New York State Amount column does not equal the total of the Federal Amount column.

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 1988 federal return even if they were not reported by your employer on a wage and tax statement.

New York State Amount column — Enter the part of the federal amount that is for services performed in New York State as a nonresident.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

Income earned partially in New York State — If any amount included in the Federal Amount column, line 1, is income earned partly in New York State and does not depend directly on the volume of business transacted, figure the amount earned in New York State by completing Schedule A on the back of Form IT-203-ATT.

Figure the amount allocable to New York State by determining the ratio of days (exclusive of nonwork days such as Saturdays, Sundays, holidays, sick leave, vacation, etc.) you worked in New York State to the total number of days you worked both in and out of the state during the year. Multiply this ratio by your total wage or salary income subject to allocation.

Work days are days on which you were required to perform the usual duties of your job. This does not ordinarily include duties performed at your home.

If your income subject to allocation depends entirely on the volume of business transacted, as in the case of a salesperson working on commission, do not use Schedule A. Divide your volume of business transacted in the state by your total volume of business transacted both in and out of New York State. Multiply your total income subject to allocation by this percentage. This is the amount of your income allocated to New York State. The location where the services or sales activities were actually performed determines where business is transacted. Attach a schedule to your return showing how you figured this allocation.

If you allocate your personal service income differently than explained above, attach a separate schedule showing complete details.

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

Enter on line a of Schedule A any amount included on line 1 in the Federal Amount column that was earned partly in New York State. 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. Enter this amount on line 1, in the New York State Amount column.

If you have to allocate income received from more than one employer, attach to your return a separate schedule (similar to Schedule A) showing the income and work days that apply to each job.

If the period of employment is less than a full year, base the figures you enter in Schedule A on the actual period of employment. For example, if you were employed in and out of 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.

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

Line 2

Taxable interest income

Enter in the Federal Amount column the taxable interest income reported on your federal return.

Enter on line 2, in the New York State Amount column, the part of this interest income earned as a nonresident that 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 in and out of New York State, see instructions for line 6.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

Line 3

Dividend income

Enter in the Federal Amount column the amount of dividends reported on your federal return.

Enter in the New York State Amount column the portion of your dividends (Federal Amount column) you received as a nonresident that 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 in and out of New York State.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

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. Also enter this amount on line 24.

Enter in the New York State Amount column the amount received while a New York State resident.

Line 5

Alimony received

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

Enter in the New York State Amount column only the total alimony received while a New York State resident.

Line 6

Business income or (loss)

Enter in the Federal Amount column your business income or (loss) reported on federal Form 1040.

Enter in the New York State Amount column any amount included in the Federal Amount column which represents the profit or (loss) you received as a nonresident from a business or profession carried on in New York State.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

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 in and out of New York State — If your business or profession is carried on both in and out of 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 the New York State Amount column.

If the New York State income of the business cannot be determined from your books, income from business carried on both in and out of 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.

If you are self-employed and carry on a trade, business or profession in New York City, you may also be required to file Form NYC-202, *City of New York Unincorporated Business Tax Return*. For more information, see *Instructions for Form NYC-202*. You can get this form and its instructions by calling the NYC Department of Finance, Taxpayer Assistance at 1 (718) 935-6000 or by visiting the **NYC Department of Finance, Forms Distribution Window, 25 Elm Place, 3rd floor, Brooklyn, NY from 9 a.m. to 5 p.m., Monday through Friday**. The NYC Department of Finance also operates an automated New York City tax forms ordering service, 24 hours a day, seven days a week; call 1 (718) 935-6739. Since New York State does not administer the New York City unincorporated business tax, **do not** file your NYC-202 with your state return.

Line 7

Capital gain or (loss)

Enter in the Federal Amount column the net gain or (loss) from the sale or exchange of property (including securities) as reported on federal Form 1040. **Attach a copy of federal Schedule D and any related schedules.**

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 include 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 New York State S corporation of which you are a shareholder (from Form CT-3-S). If any capital gains or losses are from business property (other than real property) of a business carried on both in and out of 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, use the federal basis of property in computing capital gains or losses.

Capital transactions — As a nonresident, figure the amount to be included on line 7, New York State Amount column, as 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 capital gain or loss, including in your computations only transactions that were from New York State sources. If these computations result in a net capital loss for New York State purposes, the loss is limited to \$3,000 (\$1,500 if you are married and filing separately) on the New York State return. Any balance of a 1988 net capital loss (in excess of the amount claimed on the 1988 return) will be treated as a carryover loss to be claimed on returns for later years.

If you were a part-year resident, also enter any capital gains or losses occurring while a resident.

Line 8

Capital gain distributions not reported on line 7

Enter in the Federal Amount column the amount reported on your federal return.

Enter in the New York State Amount column any amounts derived from or connected with New York State sources and subject to New York State tax as a nonresident.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

Line 9

Other gains or (losses)

Enter in the Federal Amount column the amount reported on your federal return.

As a nonresident, figure the amount(s) to be included on line 9, in the New York State Amount column, 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.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

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 S corporation of which you are a shareholder (from Form CT-3-S). Use Form IT-203-A if allocation is required.

Line 10

Taxable amount of IRA distributions

Enter in the Federal Amount column the amount reported on your federal return.

Enter in the New York State Amount column the portion of the federal amount derived from or connected with New York State sources and subject to New York State tax as a nonresident.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

See the instructions for line 27 on page 14 for information regarding the pension and annuity income exclusion.

Line 11

Taxable amount of pensions and annuities

Enter in the Federal Amount column the amount reported on your federal return.

Enter in the New York State Amount column the portion of the federal amount derived from or connected with New York State sources and subject to New York State tax as a nonresident.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

See the instructions for line 27 on page 14 for information regarding the pension and annuity income exclusion.

Line 12

Rents, royalties, partnerships, estates, trusts, etc.

Enter in the Federal Amount column the total amount from these sources as reported on federal Form 1040 and on federal Schedule E.

Enter in the New York State Amount column the portion of the federal amount derived from or connected with New York State sources as a nonresident, considering the instructions below relating to each type of income.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

Attach a copy of federal Schedule E.

Rent and royalty income — Include in the amount you report on line 12 in the New York State Amount column rents and royalties from (1) real property located in New York State, whether or not used in connection 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 in and out of 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 the New York State Amount column 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).

If you were a part-year resident, also enter the part of the federal amount that was apportioned to the resident period.

Partnerships — Your distributive share of partnership income as a nonresident to be included in the amount reported on line 12 in the New York State Amount column 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 the New York State Amount column 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.

S corporation shareholders — As a nonresident your pro rata share of an electing New York S corporation's items of income and loss must be obtained from Form CT-3-S, *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 New York State Amount column on the appropriate lines. If the corporation carried on business both in and out of New York State, the corporation's business allocation percentage and investment 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.

If you were a **part-year resident**, you must prorate your distributive share of partnership income and your pro rata share of S corporation income to be included in the New York State Amount column, according to the number of months in your resident and nonresident periods. The portion prorated to your nonresident period is limited to the percentage of the distributive share of partnership income and the pro rata share of S corporation income derived from or connected with New York State sources.

Estates and trusts — Your share of estate or trust income as a nonresident or part-year resident from New York State sources must be obtained from information provided by the fiduciary from Form IT-205 and Form IT-205-A. If your share includes any items of taxable estate or trust income from New York State sources not reported on line 12, those items should be included elsewhere in the New York State Amount column on the appropriate line describing that income.

Passive activity loss limitations — Any deduction for passive activity losses for a nonresident must be recomputed to determine the amounts which would be allowed if the federal adjusted gross income took into account only items of income, gain, loss or deduction derived from or connected with New York sources.

If you were a part-year resident, you must recalculate your passive activity loss limitations as if a separate federal return was filed for your resident and nonresident period.

Line 13

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 the New York State Amount column the profit or loss from farming carried on in New York State as a nonresident.

The instructions for reporting business income (line 6), including the instructions for reporting when business is carried on both in and out of New York State, also apply to reporting of farm income.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

Line 14

Unemployment compensation (insurance)

Enter in the Federal Amount column the amount reported on your federal return.

Enter in the New York State Amount column the amount of taxable unemployment compensation received as a nonresident and derived or resulting from employment in New York State.

If the unemployment compensation received from New York State sources is based on wage or salary income earned partly in and partly out of 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 were a part-year resident, also enter the part of the federal amount that was earned while a resident.

Line 15

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. Also, enter this amount on line 25.

Enter in the New York State Amount column any taxable amount of social security or tier 1 railroad retirement benefits you received while a New York resident.

Line 16

Other income

Enter in the Federal Amount column the total amount of other income reported on federal Form 1040. Write each type of income and its amount in the white area on line 16. If more room is needed, make a list showing each type of income and its amount, and attach the list to your New York return.

Enter in the New York State Amount column the amount derived from or connected with New York State sources as a nonresident.

If you were a part-year resident, also enter the part of the federal amount that was earned while a resident.

If you have a New York net operating loss (without a corresponding federal net operating loss) that you are carrying forward to 1988, enter the amount of the loss in the New York State Amount column on line 16 as a minus amount. Attach a statement explaining the loss.

Line 17

Add lines 1 through 16 of each column, and enter the totals on line 17.

Line 18

Total federal adjustments to income

Enter in the Federal Amount column the total adjustments to income reported on your federal Form 1040, line 30. These include reimbursed employee business expenses, IRA deduction and spouse's IRA deduction, as well as other adjustments.

Write each adjustment and its amount in the white area on line 18. 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 did not have to file a federal return, claim the same adjustments to income that you would have claimed for federal income tax purposes.

Enter in the New York State Amount column the part of the federal amount which represents adjustments connected with income from New York State sources while you were a nonresident.

If you were a part-year resident, also enter the part of the federal adjustment deductible while you were a New York State resident.

The federal adjustment for alimony paid is no longer considered a deduction from New York sources for nonresidents (see Tax Law, section 631(b)(6)). Include in the New York State Amount column only the portion of your alimony adjustment attributable to the part of the year you were a New York State resident.

12 Instructions for Form IT-203

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

Example — 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 in and out of 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 the New York State Amount column on line 18.

Line 19

Adjusted gross income (federal)

Subtract line 18 from line 17 in each column and enter the result on line 19. Generally, the

amount in the Federal Amount column will be the same as the adjusted gross income reported on your federal return plus any special accruals. (For further information, see *Special accruals*, on page 5 of these instructions.)

Transfer the amounts from the Federal Amount column and the New York State Amount column on line 19 to the Income percentage on line 60. If either the amount on line 19 in the Federal Amount column or the New York State Amount column is zero or less, skip lines 20 through 60; enter zero on line 61.

Part-Year Resident Income Allocation Worksheet

Adjusted Gross Income		Federal income (all sources)		New York State resident period		New York State nonresident period	
		Column A Income from federal return	Column B Income from Column A for this period	Column C Income from Column A for this period	Column D Income from Column C from New York State sources		
1	Wages, salaries, tips, etc.	1					
2	Taxable interest income	2					
3	Dividend income	3					
4	Taxable refunds of state and local income taxes	4					
5	Alimony received	5					
6	Business income or (loss) (from federal Schedule C)	6					
7	Capital gain or (loss) (from federal Schedule D)	7					
8	Capital gain distributions not reported on line 7	8					
9	Other gains or (losses) (from federal Form 4797)	9					
10	Taxable amount of IRA distributions	10					
11	Taxable amount of pensions and annuities	11					
12	Rents, royalties, partnerships, estates, trusts, etc. (from federal Schedule E)	12					
13	Farm income or (loss) (from federal Schedule F)	13					
14	Unemployment compensation (insurance)	14					
15	Taxable amount of social security benefits	15					
16	Other income	16					
17	Add lines 1 through 16	17					
18	Total federal adjustments to income (identify)	18					
19	Adjusted gross income (federal) (subtract line 18 from line 17, see instructions below)	19					

The combined total of Columns B and C should equal Column A.

Worksheet Instructions

If you move into or out of New York State during 1988, the Part-Year Resident Income Allocation Worksheet will help you figure your New York State source income for the entire taxable year. The federal adjusted gross income and New York State source income that you figure on this worksheet are transferred to the corresponding line on Form IT-203, *Nonresident and Part-Year Resident Income Tax Return*.

Column A — Enter the amounts of income and adjustments reported on your federal return plus all items you would be required to include if you were filing a federal return on the accrual basis. You may round all money amounts 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.

Column B — Enter that part of the amount from Column A that you received during the period you were a New York State resident.

Example — You moved from Indiana to New York on September 15, 1988. On your federal return, you report \$35,000 in total wages. Of this amount, \$12,000 was earned while you were a New York State resident. You would enter \$35,000 in Column A, line 1, and \$12,000 in Column B, line 1.

Column C — Enter that part of the amount from Column A that you received during the period you were a New York State nonresident.

Column D — Enter that part of the amount from Column C that you received from:

- services you performed in New York State;
- property located in New York State; and
- businesses, trades, professions or occupations conducted in New York State.

Include in Column B or Column C, whichever is the period before the change of resident

status, all items you would be required to include if you were filing a federal return for that period on the accrual basis. These accrual amounts are to be combined with their corresponding income on lines 1 through 19. See *Special accruals* on page 5.

Example 1 — You moved from New York State to Georgia on June 10, 1988. On June 1, 1988, your employer awarded you a guaranteed bonus of \$2,000 which was paid to you on July 1, 1988. You must enter the \$2,000 bonus in Column B, line 1.

Example 2 — You moved from New Jersey to New York on May 10, 1988. You own stock in the XYZ Corporation which, on May 1, 1988, declared a \$1,000 dividend payable on June 1, 1988. You also received \$500 a month from rental property which was sold on April 30, 1988, and located in New York. You must report the \$1,000 dividend income in Column C on line 3, since this is considered to be income accruable to the nonresident period. The rental income is reported in Column C and in Column D on line 12, since this income is derived from New York State sources.

Transfer the amount in Column A of the worksheet to the corresponding line on Form IT-203 in the Federal Amount column.

Add the amounts in Columns B and D for each line of the worksheet. Transfer the total to the corresponding line on Form IT-203 in the New York State Amount column.

If your salary or wages were earned partially in New York State, you have to determine how much should be allocated to New York State and enter that amount in Column D. Complete Schedule A on the back of Form IT-203-ATT, *Summary of Other Credits and Taxes*. When reading the instructions for completing Schedule A, substitute "nonresident period" for "year" or "full-year."

New York Adjustments/ New York Adjusted Gross Income

Enter on lines 20 through 30 any of the listed additions to or subtractions from your federal adjusted gross income. For more information on additions and subtractions, see Publication 382, *How to Figure Your New York Additions and Subtractions*.

Partners — If you have income from a partnership, include any New York additions and subtractions that 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 that 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. Do not include addition modifications relating to sections 612(b)(1), 612(b)(2) and 612(b)(20) of a resident fiduciary in a nonresident beneficiary's share of the fiduciary adjustment unless the addition is attributable to a business, trade, profession or occupation carried on in New York State. Attach a schedule showing how the fiduciary adjustment was figured. If the adjustment is a net addition, enter this amount on line 22; if the adjustment is a net subtraction, enter this amount on line 29. Identify this item as a "fiduciary adjustment."

If you filed federal Form 4970, the income you reported there is not included on Form IT-203, line 12. Since the Internal Revenue Code considers the distribution part of federal gross income, you must include it on Form IT-203, line 22 and be sure to identify the source of this income as "Form 4970 income".

S Corporation Shareholders — If you are a shareholder of a federal S corporation for which the election to be a New York S corporation was in effect for the taxable year, include any of the following additions and subtractions that apply to your pro rata share of S corporation items of income, loss or deduction. Additions A-18 and A-19 and subtraction S-22 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's Form CT-3-S.

If you were not eligible to make the 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 additions and subtractions below that apply to your pro rata share of S corporation items of income, loss or deduction. Additions A-17, A-18, A-19 and A-20, and subtractions S-21 and S-22 do not apply to you since they apply only to electing and non-electing New York S corporations.

If gain or loss is recognized on your federal income tax return due to the disposition of stock or indebtedness of an S corporation that did not elect to be a New York S corporation for any taxable year after December 31, 1980, make addition A-20 or subtraction S-21, whichever applies to you.

You must make the adjustments for the taxable year of the S corporation that end in your taxable year.

New York Additions Line 20

Interest income on state and local bonds (but not those of New York State or its localities)

Enter any interest income on state and local bonds (but not those of New York State or its localities) that you received or that was credited to you for the period you were a resident of New York State during 1988 if it was not included in your federal adjusted gross income (section 612(b)(1) of the Tax Law). Do not make this addition for any period you were a nonresident unless the addition is attributable to a business, trade, profession or occupation carried on in New York State. If you were a part-year resident, make this addition for the period you were a resident of New York State.

Line 21

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) 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 (including property on which ACRS depreciation was figured in accordance with the Federal Tax Reform Act of 1986), except for property subject to the provisions of section 280F of the Internal Revenue Code (such as luxury automobiles). Also, see the instructions for line 28 on page 14 of these instructions.

Line 22

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 22. Enter the total amount of these other additions on line 22 in the money column.

A-1 Interest or dividend income received by you or credited to you during 1988 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(b)(2) of the Tax Law). Do not make this addition for any period you were a nonresident unless the addition is attributable to a business, trade, profession or occupation carried on in New York State. If you were a part-year resident, make this addition for the period you were a resident of New York State.

A-2 Income taxes that were deducted from your federal gross income (section 612(b)(3)

of the Tax Law). For example, if you operated a business and deducted income taxes from your federal return as an expense of doing business, include these taxes on line 22.

Partners — Include on line 22 your distributive share of income taxes deducted in figuring net income.

A-3 Professional service corporation shareholder — If you were a shareholder-employee 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), 6.06 percent of the professional service corporation wages you received (as a shareholder-employee) that are subject to social security taxes (section 612(b)(8) of the Tax Law).

Professional service corporations are required by law to furnish each shareholder with Form IT-2102.1 PC, Professional Service Corporation Information Return, reporting payment of the above benefit.

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 22 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 to the extent the credit was taken (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).

A-7 Any amount that has to be added to your federal adjusted gross income if you made an election for tax years beginning before 1987 for special 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 S-14 on page 15 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 S-13 on page 15 of these instructions.

A-9 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-15 on page 15 of these instructions.

A-10 Any gain 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(b)(17) of the Tax Law).

A-11 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).

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 (section 612(b)(22)).

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 (including ACRS depreciation figured in accordance with the Federal Tax Reform Act of 1986) (section 612(b)(27) of the Tax Law). Use Form IT-399, *New York State Depreciation* to figure your adjustment. See subtraction S-20 on page 15 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 sections 1366(f)(2) and (3) of the Internal Revenue Code (section 612(b)(18) of the Tax Law).

A-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 loss or deduction taken into account in figuring your federal adjusted gross income pursuant to section 1366 of the Internal Revenue Code. (section 612(b)(19) of the Tax Law).

A-19 S corporation shareholders — S corporation distributions not included in federal adjusted gross income due to the application of section 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 (section 612(b)(20) of the Tax Law). Do not make this addition for any period you were a nonresident unless the addition is attributable to a business, trade, profession or occupation carried on in New York State. If you were a

part-year resident, make this addition for the period you were a resident of New York State. 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-20 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 (section 612(b)(21) of the Tax Law). The Internal Revenue Code sections mentioned above refer to S corporation undistributed taxable income that was required to be included in the shareholder's federal adjusted gross income.

Line 23

Total

Add lines 19 (Federal Amount column) through 22 and enter the total on line 23.

New York Subtractions

Line 24

Taxable refunds of state and local income taxes

Enter the amount of any taxable refund or credit for overpayment of income tax from line 4, Federal Amount column.

Line 25

Taxable social security benefits

Enter the amount of taxable social security and tier 1 railroad retirement benefits from line 15, Federal Amount column.

Line 26

Interest income on U.S. 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. Include on line 26 qualifying dividends received from regulated investment companies (mutual funds) that invest in obligations of the United States government and meet the 50 percent asset requirement (section 612(c)(1) of the Tax Law).

Do not list the same interest more than once; see the instructions for line 29, subtractions S-2, on this page, and S-5, on page 15.

Line 27

Pension and annuity income exclusion

If you were age 59½ before January 1, 1988, enter the qualifying pension and annuity income included in your 1988 federal adjusted gross income, but not more than \$20,000. If you became 59½ during 1988, 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 29, subtraction S-3, on this page.

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 exclusion cannot exceed \$20,000. You cannot claim any unused part of your spouse's exclusion.

Qualifying pension and annuity income includes:

- 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; and
- lump-sum payments from an HR-10 (Keogh) plan, but only if federal Form 4972 is not used. Do not include that 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 decedent would have qualified to make this subtraction at the time of death.

For more information, see Publication 59, *New York State's Tax Benefit on Pension and Annuity Income*.

Line 28

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 (including property on which ACRS depreciation was figured in accordance with the Federal Tax Reform Act of 1986), except for property subject to the provisions of section 280F of the Internal Revenue Code (such as luxury automobiles). Also, see the instructions for line 21 on page 13 of these instructions.

Line 29

Other subtractions

Identify any of the following subtractions that apply to you by writing the item number and amount of each subtraction in the white area on line 29. Enter the total amount of your other subtractions on line 29 in the money column.

S-1 The amount of your tuition deduction from Form IT-270, line 9 (section 612(c)(17) of the Tax Law). See page 5 of these instructions for more information.

S-2 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-3 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 pension 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-4 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 incomes taxes under Title 45 of the United States Code.

S-5 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-6 Interest expense on money borrowed to purchase or carry bonds or securities whose income is subject to New York State income tax but exempt from federal income tax, provided this interest was a 1988 business expense and was not deducted in figuring your federal adjusted gross income (section 612(c)(9) of the Tax Law).

S-7 Ordinary and necessary business expenses paid or incurred during 1988 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-8 Amortization of bond premium attributable to 1988 on any bond whose interest income is subject to New York income tax but exempt from federal income tax, provided this amortization was a 1988 business expense and was not deducted in figuring your federal adjusted gross income (section 612(c)(10) of the Tax Law).

S-9 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-10 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-11 The part of any gain included in your federal adjusted gross income from 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, which does not exceed this difference in basis. When the gain on the sale or other disposition of jointly owned property is divided between you and your spouse on your separate state returns, 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).

S-12 Any amount of income (including annuity income) or gain included in your federal adjusted gross income that 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, or an estate or trust from whom you acquired this income or gain (section 612(c)(5) of the Tax Law).

S-13 Cost depletion figured according to federal tax law on property where percentage depletion was added on line 22 (section 612(c)(13) of the Tax Law). See addition A-8 on page 13 of these instructions.

S-14 Special depreciation expenditures or carryover of research and development expenditures incurred in taxable years beginning before 1987 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 Schedule*, and instructions. Also see addition A-7 on page 13 of these instructions.

S-15 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-9 on page 13 of these instructions.

S-16 Any loss that was to 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-17 New business investment exclusion — The amount of gain to be subtracted from the sale of a New York new business investment that was included in your federal adjusted gross income (section 612(c)(20) of the Tax Law).

S-18 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-19 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-20 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 (including ACRS depreciation that was figured in accordance with the Federal Tax Reform Act of 1986) 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 14 of these instructions.

S-21 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.

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 14 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 that was required to be taken into account in figuring the shareholder's federal adjusted gross income.

S-22 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 (section 612(c)(22) of the Tax Law).

S-23 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.

If you claim this exclusion, you must also complete the physician's statement located at the bottom of Form IT-221.

Line 30

Add lines 24 through 29 and enter the total on line 30.

Line 31

New York adjusted gross income

Subtract line 30 from line 23 enter the result on line 31.

Line 32

Transfer the amount from line 31, front page to the back page, line 32.

New York Itemized Deduction

You may pay less tax if you can claim the New York itemized deduction. You can claim the New York itemized deduction only if you itemize 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 separate returns (filing status ③), you can claim the New York itemized deduction only if both of you itemized deductions on your federal returns and both of you elect to claim the New York itemized deduction. Otherwise, both of you must claim the New York standard deduction.

Also, if you checked filing status ③, 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.

For more information on the New York standard deduction, see the instructions for line 48 on page 17.

If you did not itemize deductions on your federal return, or if you did not have to file a federal return, you must claim the New York standard deduction; skip lines 33 through 47 and continue on line 48. 133

Lines 33 through 40

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

Line 41

Enter the total itemized deductions from federal Schedule A, line 26.

Line 42

State, local and foreign income taxes included on line 34

Enter the amount of any state, local and foreign income taxes included on line 34.

State and local income taxes are reported on your federal Schedule A, line 5. Foreign income taxes are reported on your federal Schedule A, line 7.

Exception for City of New York nonresident earnings tax — If you included the New York City nonresident earnings tax on line 34, you do **not** have to include on line 42 the difference between the New York City 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 42, multiply your New York City 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 34.

Example — Your line 34 amount includes your New York City 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 42. Then subtract \$32 from \$1,000 to find the difference of \$968, the amount to enter on line 42.

The above also applies to the New York City nonresident earnings tax on net earnings from self-employment. The amount you do **not** have to include on line 42 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 42, multiply your New York City 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 34.

Line 43

Subtract line 42 from line 41 and enter the result.

Line 44

Other adjustments

On a separate sheet marked "Line 44 — Other Adjustments," identify by item letter the following other adjustments that apply to 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 44.

Partners — Include on line 44 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 the front page). 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 44 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-3-S.

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 the front page of your New York State return.
- B** Ordinary and necessary expenses paid or incurred during 1988 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 the front page of your New York State return.
- C** Amortization of bond premium attributable to 1988 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 the front page of your New York State return.

Subtractions

- D** Interest expense on money borrowed to purchase or carry bonds or securities whose income is exempt from New York income tax.
- 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, but only to the extent deducted in figuring your federal taxable income.
- F** Amortization of bond premium attributable to 1988 on any bond whose interest income is exempt from New York income tax, but only to the extent deducted in figuring your federal taxable income.
- 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 45

If line 44 is an addition, add lines 43 and 44 and enter the total on line 45. If line 44 is a subtraction, subtract line 44 from line 43 and enter the result.

If you made no entry on line 44, enter the amount from line 43 on line 45.

Line 46

New York itemized deduction adjustment

Enter the amount of your New York itemized deduction adjustment. If Form IT-203, line 32 is:

- \$100,000 or less, enter "0" on line 46.
- more than \$100,000 but not more than \$475,000, fill in **Worksheet A**.
- more than \$475,000 but not more than \$525,000, fill in **Worksheet B**.
- more than \$525,000, enter 20 percent (.20) of line 45 on line 46.

Worksheet A	
1. New York adjusted gross income from Form IT-203, line 32.....	1. _____
2. Filing status ① or ③ enter \$100,000, or filing status ④ enter \$150,000 or filing status ② or ⑤ enter \$200,000.....	2. _____
3. Subtract line 2 from line 1. (If line 2 is more than line 1, enter "0" on Form IT-203, line 46. Do not continue with this worksheet).....	3. _____
4. Enter the lesser of line 3 or \$50,000.....	4. _____
5. Divide line 4 by \$50,000 and carry the result to four decimal places.....	5. _____
6. Enter 10 percent of Form IT-203, line 45.....	6. _____
7. Multiply line 5 by line 6... Transfer this amount to Form IT-203, line 46.	7. _____

Worksheet B	
1. Enter the excess of New York adjusted gross income over \$475,000 (cannot exceed \$50,000).....	1. _____
2. Divide line 1 by \$50,000 and carry the result to four decimal places.....	2. _____
3. Enter 10 percent of the amount on line 45, Form IT-203.....	3. _____
4. Multiply line 2 by line 3... Transfer this amount to Form IT-203, line 46.	4. _____
5. Add lines 3 and 4.....	5. _____

Line 47

New York itemized deduction

Subtract line 46 from line 45 and enter the result on line 47.

Tax Computation

Line 48

New York deduction: standard or itemized

Check either the standard or the itemized deduction box to show which method you are using and enter the amount of your New York deduction on line 48.

- If you itemized deductions on your federal return, you can use either method.
- If you did not itemize on your federal return, or if you did not have to file a federal return, you must claim the New York standard deduction.
- If you are married and filing separate returns (filing status ③) 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, find your standard deduction in the **Standard Deduction Table** below and enter it on line 48 in the money column.

Standard Deduction Table	
Filing Status	Standard Deduction - enter on Form IT-203, line 48
① Single and you checked item B "Yes"	\$2,800
① Single and you checked item B "No"	\$5,000
② Married filing joint return	\$8,500
③ Married filing separate return	\$4,250
④ Head of household (with qualifying person)	\$6,000
⑤ Qualifying widow(er) with dependent child	\$8,500

New York itemized deduction

If you are claiming the New York itemized deduction, transfer the amount on line 47 to line 48 in the money column.

Line 49

Subtract the amount on line 48 from the amount on line 32 and enter the result on line 49.

Line 50

New York dependent exemptions

Enter on line 50 the number of your New York dependent exemptions from the **Dependent Exemption Worksheet** below.

If you did not have to file a federal return, enter on lines a and b of the worksheet the number of exemptions that would be allowed for federal income tax purposes.

Dependent Exemption Worksheet	
New York exemptions are allowed only for your dependents. Personal exemptions for you and for your spouse, if you are married, are no longer allowed.	
a. Enter the total number of exemptions claimed on federal Form 1040, line 6e . . . a.	_____
b. Enter the total number of exemptions claimed on federal Form 1040, line 6a and line 6b b.	_____
c. Subtract line b from line a. This is the number of your New York dependent exemptions to enter in the white space on Form IT-203, line 50 c.	_____
<i>Example - If the result on line c above was "2," the entry on Form IT-203, line 50 would be:</i>	
50	2,000.00
<i>Since the value of each New York dependent exemption is \$1,000, the total value of dependent exemptions in this example is \$2,000.</i>	

Line 51

New York taxable income

Subtract the amount on line 50 from the amount on line 49 and enter the result on line 51.

Line 52

New York State Tax

Find your New York State tax on the amount on line 51 by using the **New York State Tax Table** on green pages 25 through 30 of these instructions. Be sure you use the correct column. After you have found the correct tax, enter that amount on line 52.

There is an example at the beginning of the table to help you find the correct tax.

Line 53

Additional tax on unearned income

If line 32 is **more than \$100,000** (or more than \$50,000 if you are married filing a separate return), enter the additional tax on unearned income from Form IT-203-ATT, worksheet line 39 (see instructions on page 23).

If your line 32 amount is **\$100,000 or less**, (\$50,000 or less if you are married filing a separate return), enter "0" on line 53.

You may be subject to the additional tax on unearned income even if you have no New York taxable income on line 51.

Line 54

Unearned income, if any

(For additional tax on unearned income filers only)

If you entered an amount of additional tax on unearned income on line 53, transfer the amount from Form IT-203-ATT, worksheet line 33 to Form IT-203, line 54.

Line 55

Add lines 52 and 53 and enter the total on line 55.

Line 56

New York State child and dependent care credit

Enter the amount of New York State child and dependent care credit. You can claim this credit if you were allowed a credit for child and dependent care on your federal income tax return.

Enter in the boxes on line 56 the number of qualifying persons cared for in 1988 and the amount of **federal credit** for child and dependent care (from federal Form 2441). You can claim 20 percent of your federal credit, but not more than the tax on line 55, less any resident credit and accumulation distribution credit claimed on Form IT-203-ATT, lines 1 and 2. Use the **Child and Dependent Care Credit Worksheet** below to figure your credit.

Child and Dependent Care Credit Worksheet	
a. Enter your federal credit for child and dependent care from federal Form 2441 . . . a.	_____
b. Tentative credit. Enter 20 percent of line a b.	_____
c. Enter your tax from Form IT-203, line 55 c.	_____
d. Enter the total of the credits claimed from Form IT-203-ATT, lines 1 and 2 . . . d.	_____
e. Subtract line d from line c . . e.	_____
f. Enter the amount from line b or line e, whichever is smaller f.	_____
This is your New York State child and dependent care credit .	
Transfer the amount on line f to line 56 in the money column.	

Line 57

New York State household credit

Enter your New York State 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 and if you checked:

- filing status ① only (Single) and the amount on Form IT-203, line 19, Federal Amount Column, is not over \$28,000; or
- filing status ②, ③, ④, or ⑤ and the amount on Form IT-203, line 19, Federal Amount Column, is not over \$32,000.

Filing status ① — Complete **Household Credit Worksheet I** below to figure your New York State household credit.

Filing status ②, ③, ④, or ⑤ — Complete **Household Credit Worksheet II** on this page to figure your New York State household credit.

**New York State
Household Credit Worksheet I
Filing status ① only (Single)**

a. Enter the amount from Form IT-203, line 19, Federal Amount Column . . . a. _____

If the amount on line a above is:

over	but not over	enter on line b:
\$ 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 57.

b. Enter amount from table above b. _____

c. Enter amount from Form IT-203, line 55 c. _____

d. Enter the total of any credits claimed on Form IT-203, line 56, and Form IT-203-ATT, lines 1 and 2 . . . d. _____

e. Subtract line d from line c . e. _____

f. Enter the amount from line b or line e, whichever is smaller f. _____

This is your **New York State household credit**. Transfer this amount to Form IT-203, line 57.

**New York State
Household Credit Worksheet II**

Filing status ②, ③, ④ and ⑤

a. Enter the amount from Form IT-203, line 19, Federal Amount Column (for filing status ③, use the total from both returns) a. _____

If the amount on line a above is:

over	but not over	enter on: line b	line c
\$ 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 57.	

b. Enter amount from table above b. _____

c. Enter amount from table above . c. _____

d. Enter the number of exemptions from federal Form 1040, line 6e (for filing status ③, use the total from both returns) d. _____

e. Multiply line c by line d e. _____

f. Add lines b and e f. _____

g. Enter amount from Form IT-203, line 55 g. _____

h. Enter the total of any credits claimed on Form IT-203, line 56, and Form IT-203-ATT, lines 1 and 2 h. _____

i. Subtract line h from line g . . . i. _____

j. Filing status ②, ④ or ⑤ — enter amount from line f or i, whichever is smaller j. _____
 Filing status ③ — enter 50% of line f or 100% of line i, whichever is smaller j. _____

This is your **New York State household credit**. Transfer this amount to Form IT-203, line 57.

Line 58

Credits before base tax

Add lines 56 and 57 and enter the result on line 58.

Line 59

Base tax

Subtract the amount on line 58 from the amount on line 55 and enter the result on line 59.

Line 60

Income percentage

To figure your income percentage, divide the amount on line 19 in the New York State Amount column by the amount on line 19 in the Federal Amount column. Carry your result to four decimal places. For example, if the amounts used were \$12,000 divided by \$36,000, the result would be .3333.

If the amount on line 19 in the New York State Amount column is more than the amount on line 19 in the Federal Amount column, the income percentage will be more than 100%. For example, if the amounts used were \$25,000 divided by \$15,000, the result would be 1.6667.

Line 61

Allocated New York State tax

Multiply the amount on line 59 by the decimal on line 60 and enter the result on line 61.

Other Credits/Other Taxes/Gift

Line 62

Other New York State credits

Enter the total amount of other New York State credits from Form IT-203-ATT, line 7. These are: resident credit, accumulation distribution credit, investment credit, special additional mortgage recording tax credit, solar and wind energy credit carryover, and economic development zone (EDZ) credit. For more information, see *Instructions for Form IT-203-ATT, Part I*, on page 22.

Line 63

Subtract the amount on line 62 from the amount on line 61 and enter the result. If line 62 is more than line 61, enter "0."

Line 64

Other New York State taxes

Enter the total amount of other New York State taxes from Form IT-203-ATT, line 14. These are: separate tax on lump-sum distributions, minimum income tax, add-back of investment credit on early dispositions and add-back of EDZ investment credit on early dispositions. For more information, see *Instructions for Form IT-203-ATT, Part II*, on page 22.

Line 65

Total New York State taxes

Add lines 63 and 64 and enter the total on line 65.

Lines 66 through 70 apply only to New York City and Yonkers taxes. If you are not subject to New York City or Yonkers taxes, do not fill in these lines.

Line 66

City of New York nonresident earnings tax

Complete line 66 only if you are subject to the New York City nonresident earnings tax.

If you were not a New York City 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 New York City nonresident earnings tax. Limited partners are not considered to receive net earnings from self-employment since they perform no services for the partnership.

Figure your nonresident earnings tax on Form NYC-203, *City of New York Nonresident Earnings Tax Return*, and enter the tax on line 66. Attach Form NYC-203 to the back of Form IT-203. For more information, see the instructions for Form NYC-203.

Line 67

Other city of New York taxes

Enter on this line the total amount of other New York City taxes from Form IT-203-ATT, line 18. These are: part-year city of New York resident tax, city of New York minimum

income tax and city of New York separate tax on lump-sum distributions. For more information, see Instructions for Form IT-203-ATT, Part III, on page 23.

If you are self-employed and carry on a trade, business or profession in New York City, you may also be required to file Form NYC-202, *City of New York Unincorporated Business Tax Return*. For more information, see the *Instructions for Form NYC-202*. You can get this form and its instructions by calling the NYC Department of Finance, Taxpayer Assistance at 1 (718) 935-6000, or by visiting the **NYC Department of Finance, Forms Distribution Window, 25 Elm Place, 3rd floor, Brooklyn, NY, from 9 a.m. to 5 p.m., Monday through Friday**. The NYC Department of Finance also operates an automated New York City tax forms ordering service, 24 hours a day, seven days a week; call 1 (718) 935-6739. Since New York State does not administer the New York City unincorporated business tax, **do not** file your NYC-202 with your state return.

Line 68

City of Yonkers nonresident earnings tax

Complete line 68 only if you are subject to the Yonkers nonresident earnings tax.

If you were not a 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 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 68. Attach Form Y-203 to the back of Form IT-203. For more information, see instructions for Form Y-203.

Line 69

Part-year city of Yonkers resident income tax surcharge

Enter your part-year Yonkers resident income tax surcharge. If you were a Yonkers resident for only part of 1988, fill in Form IT-360.1 and attach it to your return. If you were subject to the Yonkers nonresident earnings tax for the remainder of the year, see the instructions for Form Y-203. For more information, see IT-360.1-I, *Instructions for Form IT-360.1*.

Line 70

Total city of New York and city of Yonkers taxes

Add lines 66 through 69 and enter the total on line 70.

Line 71

Return a gift to wildlife

If you want to return a gift to wildlife, enter the amount of your gift on line 71.

The amount you give must be in whole dollars: \$5, \$10, \$20, or any other dollar amount. Your gift will reduce your refund or increase your tax payment. Also, you cannot change the amount you give after you file your return.

For more information about returning a gift to wildlife, see page 8 of these instructions.

Line 72

Total New York State, city of New York and city of Yonkers taxes and Gift to Wildlife

Add lines 65, 70 and 71 and enter the total on line 72.

Payments

Line 73

Total New York State tax withheld

Enter 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 the total New York State tax withheld for you and your spouse.

Attach Copy 2 of your wage and tax statement(s) to the area indicated on the **front** of 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.

If New York State tax was withheld from New York State lottery winnings payments, attach Copy 2 of Form IT-2102-L to your return.

If you did not have New York City tax withheld, skip line 74.

Line 74

Total city of New York tax withheld

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

If you checked filing status ②, enter the total New York City tax withheld for you and your spouse.

Attach Copy 2 of your wage and tax statement(s) to the area indicated on the **front** of your return. If New York City 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.

If New York City tax was withheld from New York State lottery winnings payments, attach Copy 2 of Form IT-2102-L to your return.

If you did not have Yonkers tax withheld, skip line 75.

Line 75

Total city of Yonkers tax withheld

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

If you checked filing status ②, enter the total Yonkers tax withheld for you and your spouse.

Attach Copy 2 of your wage and tax statement(s) to the area indicated on the **front** of your return. If 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.

If Yonkers tax was withheld from New York State lottery winnings payments, attach Copy 2 of Form IT-2102-L to your return.

Line 76

Estimated tax paid/Amount paid with Form IT-370

Enter on this line the total of your estimated tax payments for New York State, New York City and Yonkers. Also, include on line 76 the amount you paid with Form IT-370. *Application for Automatic Extension of Time to File*.

Estimated tax paid

Include on line 76 the total of your 1988 estimated tax payments (include your last installment, even if paid in 1989) and any overpayment from your 1987 return that was applied to your 1988 estimated tax.

If you checked filing status ② but made **separate** 1988 estimated tax payments (Form IT-2105), enter your combined total estimated tax paid.

If you are the beneficiary of a trust and are claiming your share of any overpayment of estimated taxes allocated to you by the trust, attach a copy of the notification issued by the trust to your return. This notification must include the name and identifying number of the trust and the amount allocated to you.

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

Amount paid with Form IT-370

If you filed Form IT-370 to get an extension of time to file Forms IT-203, NYC-203 and Y-203, include on line 76 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 the total amount paid by you and your spouse with your separate Forms IT-370.

Line 77

Total payments

Add lines 73 through 76 and enter the result on line 77.

Refund/ Amount You Owe

Apply your payments (line 77) against your total tax (line 72) to see whether you have an overpayment or a balance due.

Line 78

Overpayment

If line 77 is more than line 72, subtract line 72 from line 77 and enter the result on line 78. This is your overpayment.

You can have all or part of this amount refunded to you. Any remainder can be applied to your 1989 estimated tax. Any overpayment credited toward your estimated tax cannot be refunded after April 17, 1989.

Line 79

Refund

Enter the amount of overpayment from line 78 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.

Collection of debts from your refund — We will keep all or part of your refund if you owe a federal, New York State, New York City or 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 Carl D. Perkins 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 and you do not want to apply your part of the refund to your spouse's debt and you are not liable for it, fill in Form IT-280, *Nonobligated Spouse Allocation*, and attach it to your return. 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, New York City or Yonkers tax liability, past-due spousal or child support, whether you have repaid your HESC guaranteed or state or city university student loan, or about the amount owed, call or write to the appropriate 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, New York City or Yonkers tax liability —

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

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) 443-5626
Student Loan Service Center
State University of New York
SUNY Plaza
Albany, NY 12246

For City University student loans —

(212) 397-5620
NDSL/NSL Department
Room 1696
City University of New York
University Accounting Office
555 West 57th Street
New York, NY 10019

Line 80

New York State, city of New York and city of Yonkers estimated tax for 1989

Enter the amount of overpayment from line 78 that you want credited to your New York State, New York City and Yonkers estimated tax for 1989. Do not include any amount that you claimed as a refund on line 79.

Line 81

Amount you owe

If line 77 is less than line 72, subtract line 77 from line 72 and enter the result on line 81. This is the amount you owe.

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 "New York State Income Tax" and write your social security number and "1988 Income Tax" on it. **Do not send cash.** If you also have to pay an underpayment of estimated tax penalty (line 82), send one check or money order for the total amount (penalty plus tax due).

Attach your payment to the area indicated on the front of your return.

Do not include any penalty or interest amounts on line 81. If you include penalties or interest with your payment, identify and enter these amounts in the right margin on the back page of Form IT-203 (but not underpayment of estimated tax penalty; see line 82).

Line 82

Underpayment of estimated tax

If line 81 is at least \$100 and, in addition, represents more than 10% of the tax shown on your return (add lines 65 and 70), or you underpaid your estimated tax liability for any payment period, you may owe a penalty. However, you are not subject to a penalty if your 1988 prepayments equal at least 100% of your 1987 tax (based upon a return covering 12 months). Attach Form IT-2105.9, *Underpayment of Estimated Tax by Individuals and Fiduciaries*, 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 82 and enter the amount of the penalty. For more information, see the instructions for Form IT-2105.9.

Do not include any other penalty or interest amounts on line 82. If you include penalties or interest with your payment, identify and enter these amounts in the right margin on the back page of Form IT-203.

Now continue with Step 4 below.

Step 4

Check the figures on your return and attachments.

Step 5

Complete the top of the front page 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 and the New York State form you filed last year.

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 on the upper left 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.

If you were a part-year resident, enter in the white spaces at the top of Form IT-203 the county of the last residence you occupied in New York State.

School district name and code number

If you are a part-year resident, enter the name and code number of your New York public school district. This is the district where you were a resident on December 31, 1988 or the district where you were a resident of New York before you moved out of the state. School districts and code numbers are on pages 35 through 38 of these instructions. If you do not know the name of your school district, contact your nearest public school.

You must enter your school district name and code number even if you were absent from the school district temporarily, if the school your children attended was not in your school district, or if you had no children attending school. School aid may be affected if the school district or code number is not correct.

Permanent home address

If you are a part-year resident, enter your permanent home address for the portion of the year that you were a resident of New York State if it is not the same as the address on your mailing label.

If you moved into the state, enter your permanent home address as of December 31, 1988.

If you moved out of state prior to December 31, 1988, enter as your permanent home address the address of the New York State residence you occupied last in 1988.

If you moved after December 31, 1988, enter the address of your permanent home on December 31, 1988, not your current home address.

Information about your permanent home address is being requested to enable verification of your school district name and code number, which are used in the calculation of state aid to local school districts.

Your permanent home address is the address of the dwelling place in New York State which you occupied last in the taxable year, whether it is owned or rented by you or your spouse. A summer or vacation home does not qualify as your permanent home.

Your permanent home address is not always the same as the mailing address that is entered on your income tax return. For example, although you may use a post office box number for your mailing address, this would not be your permanent home address.

— If you use a paid preparer and you use the preparer's address as your mailing address, enter the address of your permanent home in the space provided.

— If you are a permanent resident of a nursing home, enter the address of the nursing home as your permanent home address.

- If you are a member of the armed forces and your permanent home was in New York State when you entered the military, enter your New York permanent home address regardless of where you are stationed.
- If you are married and maintain separate New York State residences and are filing separate New York State returns, enter as your permanent home address the address of your own residence.

For additional information, see Publication 45, *Permanent Home Address and School District Information*.

Death of taxpayer — If the taxpayer is deceased, enter the decedent's first name and date of death.

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

- Name and address** (both names if filing a joint return);
- Permanent home address** (if different from mailing address);
- If taxpayer is deceased** (enter the decedent's first name and date of death);
- Social security number(s)**;
- New York State county of residence** (on December 31, 1988 or the date you last occupied your New York residence);
- School district name and code number**.

Step 6

Sign and date your return at the bottom on the back page

You must sign and date your return. If you are married and filing a joint return, you must both sign it. **Your return cannot be processed if you do not sign it.**

Keep a copy of your return and any attachments for future reference. 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.

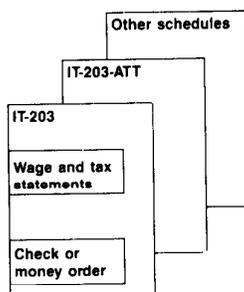
Paid preparer must also sign your return

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 area.

Step 7

Attachments

- Attach Copy 2 of your wage and tax statement(s)** to the area indicated on the **front** of your return as illustrated below. (Please staple once only).
- Attach any other forms and schedules** you used to the **back** of your return. Staple once only in the upper left corner in the following order:
 - 1 Form IT-203-ATT;
 - 2 Other New York State forms in form number order;
 - 3 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 area indicated on the **bottom front** of Form IT-203 as illustrated below.
- If you have to write to us, attach your letter to the front of your Form IT-203.



Step 8

Checklist

Before you mail your return, a quick check will help you avoid common errors that may delay your refund. **Did you:**

- attach your peel-off label?** If you do not have a label, did you enter your name, address and social security number(s) and other information required in Step 5 if you are a part-year resident at the top of your return?
- enter your permanent home address?** (if different from your mailing address)
- check your filing status box?**
- check the Yes or No box at item B of Form IT-203?**
- check the standard or itemized deduction box on line 48 of Form IT-203?**
- enter your New York dependent exemption amount on line 50 of Form IT-203?**
- use the correct tax table(s) and column(s)?**
- figure your NY State child and dependent care credit** by entering the number of qualifying persons cared for in 1988 and the amount of federal credit for child and dependent care in the boxes on line 56 of Form IT-203?
- claim any adjustments or credits that you may qualify for?**
- sign your return?** (Both husband and wife must sign a joint return.)
- attach Copy 2 of your wage and tax statement(s)** to the area indicated on the **front** of your return?
- attach Form IT-203-ATT** if you are claiming other New York State credits, or if you are subject to other New York State or New York City taxes (including the additional tax on unearned income) 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 "New York State Income Tax"** for the full amount you owe?
- write your social security number and "1988 income tax"** on your check or money order?

Step 9

Use the preaddressed mailing envelope

To speed your refund, 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:

NYS Income Tax
W. A. Harriman Campus —
Refund '88
Albany, NY 12227-0125

For all other returns:

NYS Income Tax
W. A. Harriman Campus
Albany, NY 12227-0125

Instructions for Form IT-203-ATT, Summary of Other Credits and Taxes

Purpose of Form IT-203-ATT — If you are claiming other New York State credits or if you are subject to other New York State or New York City taxes (including the additional tax on unearned income), or if you are required to complete Schedule A, *Allocation of Wage and Salary Income to New York State*, fill in Form IT-203-ATT and attach it to your nonresident and part-year resident return. If you need more forms or schedules, see *How to get forms* on page 6 of these instructions.

Part I Other New York State Credits

If you are claiming other New York State credits listed below, fill in Part I. These credits do not apply to New York City taxes. New York State does not allow any credits similar to those allowed under federal law for the elderly, earned income, etc.

Line 1

Resident credit

Enter the amount of resident credit. If your income was from sources outside New York State while you were a New York State resident and if you paid income taxes to another state, to a political subdivision of another state, to the District of Columbia or to a province of Canada, you may qualify for a tax credit against your New York State tax (section 620 of the Tax Law).

If you qualify, figure this credit on Form IT-112-R, *Resident Tax Credit*, and transfer the amount to Form IT-203-ATT, line 1. Attach Form IT-112-R and a copy of the tax return filed with the other state, or province of Canada, to your New York State return. For more information, see Form IT-112-R. For information on the resident credit against the separate tax on lump-sum distributions, see line 9 instructions on this page.

Line 2

Accumulation distribution credit

Enter the amount of New York State 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 income taxes paid by the trust (section 621 and 635 of the Tax Law). Attach a schedule showing how you figured your credit.

Line 3

Investment credit

Enter the amount of investment credit. You can claim an investment credit if 1) you produce goods by manufacturing, processing, mining, agriculture or similar activities; 2) you use certain property for research and development purposes, pollution control purposes, waste treatment purposes; or 3) if your business is a retail enterprise and you have qualified rehabilitation 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 attach it to your return. For more information, see IT-212-I, *Instructions for Form IT-212*.

Line 4

Special additional mortgage recording tax credit

Tax reform has preserved this credit for shareholders of electing New York S corporations.

Include on line 4 your prorated share of the S corporation's special additional mortgage recording tax credit from Form CT-3-S.

For all others, 1987 was the last year that this credit could be claimed. However, any unused credit from a prior year can be carried over. Include on line 4 your special additional mortgage recording tax credit carryover for 1988. Attach a schedule showing how you figured your credit carryover.

See additions A-5 and A-6 on page 13 of these instructions.

Line 5

Solar and wind energy credit carryover from 1987

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 return. 1985 was the last year that this credit could be claimed. Section 606(g)(6) provides that any unused credit can be carried over to the following year or years. Taxpayers carrying over any unused credit from 1987 to 1988 must attach Form IT-218.1, *Solar and Wind Energy Credit Carryover*, to their 1988 return.

Line 6

Economic development zone (EDZ) credit

EDZ Wage Tax Credit — Enter the amount of wage tax credit. In order to claim the wage tax credit, a taxpayer must be certified under Article 18-B of the General Municipal Law as eligible to receive the wage tax credit. The computation of the wage tax credit is limited to five taxable years. The wage tax credit must be computed in the first taxable year during which payments of EDZ wages are made and in each of the four following taxable years (section 606(k) of the Tax Law).

If you qualify, figure this credit on Form DTF-601, *Claim for Economic Development Zone Wage Tax Credit*, and include the amount on Form IT-203-ATT, line 6. Attach Form DTF-601 to your return. For more information, see Form DTF-601.

EDZ capital corporation tax credit — Enter the amount of capital corporation tax credit. The EDZ capital corporation tax credit is 25 percent of the consideration paid for original issue stock purchased during the taxable year from one or more economic development zone capital corporations established pursuant to section 964 of the General Municipal Law (section 606(l) of the Tax Law).

If you qualify, figure this credit on Form DTF-602, *Claim for EDZ Capital Tax Corporation Credit*, and include the amount on Form IT-203-ATT, line 6. Attach Form DTF-602 to your return. For more information, see Form DTF-602.

EDZ investment tax credit — Enter the amount of investment tax credit. The EDZ investment tax credit is 8 percent of the cost (or other federal basis) of qualified property which was acquired, constructed, reconstructed or erected in an economic development zone after its date of designation and prior to its date of expiration as an economic development zone. To claim this credit, you must also be certified pursuant to Article 18-B of the General Municipal Law (section 606(j) of the Tax Law).

If you qualify, figure this credit on Form DTF-603, *Claim for Economic Development Zone Investment Tax Credit*, and include the amount on Form IT-203-ATT, line 6. Attach Form DTF-603 to your return. For more information, see Form DTF-603.

Line 7

Total

Add lines 1 through 6; enter the total on line 7 and transfer it to Form IT-203, line 62.

Part II — Other New York State Taxes

If you are subject to other New York State taxes as listed below, complete Part II.

Line 8

New York State separate tax on lump-sum distributions.

Enter your New York State separate tax on lump-sum distributions which you received while a resident of New York or which were wholly or partly derived from or connected with New York sources. If you used federal Form 4972 to figure your federal tax on lump-sum distributions, figure your state separate tax on Form IT-230 for the lump-sum distributions you received while you were a resident of New York and for lump-sum distributions which were wholly or partly derived from or connected with New York sources while you were a nonresident. Attach Form IT-230 to your return. For more information, see IT-230-1, *Instructions for Form IT-230*.

Line 9

Resident credit against separate tax on lump-sum distributions

Enter the amount of resident credit you are claiming against the separate tax on lump-sum distributions. If you received a distribution which is considered a lump-sum distribution for federal income tax purposes, you may qualify for a credit against the state separate tax on lump-sum distributions reported on line 8. This distribution must be from sources outside New York State which you received while you were a resident of New York State and must be subject to income tax or to a separate tax by another state, by a political subdivision of another state, by the District of Columbia, or by a province of Canada.

To claim this credit, fill in Form IT-112.1, *Resident Credit Against Separate Tax on Lump-Sum Distributions*. Attach Form IT-112.1 and a copy of the tax return filed with the other state or province of Canada to your New York State return.

Line 10

Subtract line 9 from line 8 and enter the result.

Line 11**New York State minimum income tax**

Enter your New York State minimum income tax. If you had tax preference items during the period you were a New York resident or if you had tax preference items from New York State sources during the period you were a nonresident totaling more than your allowable specific deduction, you may be subject to the state minimum income tax. Fill in Form IT-220 and attach it to your nonresident and part-year resident return. For more information, see IT-220-1, *Instructions for Form IT-220*.

Line 12**Add-back of investment credit on early dispositions**

Enter the amount of add back of investment credit on early dispositions of investment credit property. If you dispose of property on which an investment credit has been taken, or prior to January 1, 1987, a research and development credit was taken, or if the property ceases to be in qualified use before the end of its useful life or specified holding period ends, you must add back in the year of disposition the difference between the investment credit or research and development credit taken and the investment credit or research and development credit allowed. Fill in Form IT-212 and attach it to your nonresident and part-year resident return.

Line 13**Add-back of economic development zone investment tax credit on early dispositions**

Enter the amount of add back of economic development zone investment tax credit on early dispositions of qualified property located within the economic development zone. If you dispose of property on which an EDZ investment tax credit has been taken or if the property ceases to be in qualified use before the end of its useful life or specified holding period ends, you must add back in the year of disposition the difference between the EDZ investment tax credit taken and the EDZ investment tax credit allowed. Fill in Form DTF-603 and attach it to your nonresident and part-year resident return.

Line 14**Total**

Add lines 10 through 13, enter the total on line 14, and transfer this amount to Form IT-203, line 64.

Part III — Other City of New York Taxes

If you are subject to other New York City taxes as listed below, complete Part III.

Line 15**Part-year city of New York resident tax**

Enter your part-year New York City resident tax. If you were a New York City resident for only part of 1988, fill in Form IT-360.1 and attach it to your nonresident and part-year resident return. If you were subject to the New York City nonresident earnings tax for the remainder of the year, see the instructions for Form NYC-203. For more information, see IT-360.1-1, *Instructions for Form IT-360.1*.

Line 16**City of New York minimum income tax**

Enter your New York City minimum income tax. If you were a New York City resident for part of the year and you are subject to the New York State minimum income tax for that part of the year you were a resident of New York City, you must also figure your **New York City** minimum income tax on Form IT-220 and attach it to your nonresident and part-year resident return. For more information, see IT-220-1, *Instructions for Form IT-220*.

Line 17**City of New York separate tax on lump-sum distributions**

Enter your New York City separate tax on lump-sum distributions which you received while a resident of New York City. If you were a part-year New York City resident and if you used federal Form 4972 to figure your federal tax on lump-sum distributions, figure your New York City separate tax on Form IT-230 for that part of the year you were a resident of New York City. Attach it to your nonresident and part-year resident return. For more information, see IT-230-1, *Instructions for Form IT-230*.

Line 18**Total**

Add lines 15 through 17; enter the total on line 18 and transfer this amount to Form IT-203, line 67.

Line 19**Investment credit refund for new businesses**

Enter the amount of investment 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, instead of carrying it over to next year. For more information see IT-212-1, *Instructions for Form IT-212*.

Also include the amount of your investment credit refund for new businesses on Form IT-203 in the total for line 73. In the space to the left of line 73, write "ICR" and show the amount.

Line 20**Net investment credit available for carryover to 1989.**

Enter the amount of net credit available for carryover to 1989 from Form IT-212, line 28.

Line 21**Net economic development zone credit available for carryover to 1989**

Enter the amount of net credit available for carryover to 1989 from Form(s) DTF-601 or DTF-603.

Part IV — Additional Tax on Unearned Income Worksheet

(Back page of Form IT-203-ATT)

The additional tax on unearned income is imposed on every nonresident and part-year resident who has unearned income and whose New York adjusted gross income (Form IT-203, line 32) is more than \$100,000 (more than \$50,000 if married filing separately).

If you are subject to the additional tax on unearned income, complete the worksheet (lines 22 through 39) on the back page of Form IT-203-ATT using the following instructions and attach it to your Form IT-203.

Line 24**Federal adjustments and deductions**

Enter any adjustments and deductions allowable for federal tax purposes that are properly allocable to or chargeable against your earned income, line 27 of this worksheet. Examples of items that must be included on line 24 are:

- Expenses of a trade or business from which you received earned income (however, do not include any deductions that will be used in computing earned income on line 27).
- Expenses of performing services as an employee.
- Payments to a Keogh Plan or an IRA.
- Net operating loss deduction to the extent that the net operating losses carried to the taxable year are properly allowable to or chargeable against earned income.

24 Instructions for Form IT-203-ATT

If the income from a business is derived entirely from personal services and the expenses of that business exceed its income, include the excess on line 24. However, if personal services and capital are both material income-producing factors, include only part of the excess on line 24. To figure the amount to include on line 24, multiply the total expenses of the business by the ratio of a reasonable amount of pay for your services over the gross receipts of that business. If you have more than one business with a loss, you must make a separate computation for each and include the combined amount on line 24.

Line 25

New York subtractions

Enter any New York State subtractions to the extent that they are related to earned income included on line 27. Examples are the subtraction for pension and annuity income and New York depreciation

Line 27

Earned income

Enter your earned income. **Earned income includes:** wages, salaries, tips, other compensation for personal services actually rendered, and:

- Bonuses and professional fees.
- Commissions on sales or insurance premiums.
- Prizes and awards received in recognition of personal services.
- Pensions and annuities arising from an employer/employee relationship.
- Taxable group term life insurance.
- Property received as payment for services even if you later transferred the property to someone else.
- Gains (except capital gains) and net earnings from the sale or transfer of an interest in or license for the use of property (other than goodwill) that you created by your personal efforts.
- The portion of income you received from a corporation (including an electing S corporation) that represents a reasonable allowance as compensation for the services you performed for the corporation.
- The entire amount you receive for professional services if you are a doctor, dentist, lawyer, architect, accountant, etc., and you are personally responsible for the services performed (even if your assistants perform all or part of the services).

- Income you receive from a noncorporate trade or business where both personal services and capital are material income-producing factors. In this case, your personal income is a reasonable allowance as compensation for the personal services actually rendered, but not more than the net profits of the business
- An item of gross income in respect of a decedent if the gross income would have been earned income for the decedent had he or she lived and received the amount.

- Amounts paid or distributed out of an individual retirement plan (IRA).

- Amounts received as deferred compensation.

Earned income does not include:

- Interest and dividends.
- Other distributions of corporate earnings and profits.
- Gambling gains.
- Capital gains.
- Premature or excess distributions from a qualified employee pension plan.
- Certain distributions from individual retirement accounts or annuities described in Internal Revenue Code sections 408(e)(2), (3), (4), and (5).
- Unemployment compensation (insurance.)

Line 30

New York additions

Enter any New York State additions to the extent that they are related to earned income included on line 27. Examples are the addition for accelerated cost recovery system deduction and the New York City unincorporated business tax.

Line 31

Allowable deductions

Enter the following deductions if 1) you paid or incurred them during 1988; 2) they were not deducted when figuring New York adjusted gross income; and 3) they are directly related to unearned income that is included in New York adjusted gross income:

- Interest or indebtedness incurred or continued to purchase or carry obligations or securities.
- Ordinary and necessary expenses for the production or collection of income, or the management, conservation or maintenance of property held for the production of income.
- Amortization of bond premiums.

Line 33

Unearned income

Subtract line 32 from line 26 and enter the result on line 33 and on Form IT-203, line 54. However, if line 32 is more than line 26, there is no additional tax on your unearned income; enter "0" on line 33 and on Form IT-203, lines 53 and 54, and attach Form IT-203-ATT to your return.

Line 37

Divide the amount on line 36 by \$100,000 and carry the result to four decimal places.

For example, if the amount on line 36 is \$76,500, divide this amount by \$100,000 and enter the result (.7650) on line 37.

Line 39

Additional tax on unearned income

Multiply the amount on line 33 by the amount on line 38, and enter the result on line 39. Transfer this amount to Form IT-203, line 53.

Schedule A

Allocation of wage and salary income to New York State

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

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

For more information about Schedule A, see page 9 of these instructions.