New York State Department of Taxation and Finance

CT-32-I

1990

Instructions for Form CT-32 Franchise Tax Return for Banking Corporations

Tax Law — Article 32

Who Must File

Article 32 of the Tax Law imposes a franchise tax on banking corporations for the privilege of exercising their corporation franchise or doing business in New York State in a corporate or organized capacity for all or any part of their tax year. It also imposes the tax on bank holding companies when included in a combined return. Except for corporations described in section 1453(l), corporations liable to tax under Article 33 are not subject to tax under Article 32.

Banking corporations include the following:

A. New York State banking corporations — Any corporation organized under the laws of New York State which is authorized to do or is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, limited purpose trust companies, subsidiary trust companies, savings banks, savings and loan associations, agreement corporations, and the New York Business Development Corporation. Also included as a banking corporation is the New York State Mortgage Facilities Corporation.

B. Banking corporations organized under the laws of another state or country — Any corporation organized under the laws of another state or country which is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, savings banks, savings and loan associations and agreement corporations.

C. Banking corporations organized under the laws of the United States — Any national banking association, federal savings bank, federal savings and loan association and any other corporation organized under the authority of the United States (including an Edge Act corporation) which is doing a banking business, is a banking corporation. Also, every production credit association organized under the Federal Farm Credit Act of 1933 which is doing a banking business and all of whose stock held by the Federal Production Credit Corporation has been retired is a banking corporation.

D. Corporations owned by a Bank or a Bank Holding Company — Any corporation principally engaged in a business which:

- might lawfully be conducted by a corporation subject to Article 3 of the New York Banking Law or by a national banking association, or
- is so closely related to banking or managing or controlling banks as to be a proper incident thereto as defined in section 4(c)(8) of the Federal Bank Holding Company Act of 1956, as amended,

is a banking corporation, if its voting stock is 65% or more owned or controlled directly or indirectly by a banking corporation described above or by a bank holding company. However, a 65% or more owned corporation which is principally engaged in a business described in Section 183, 184 or 186 of the Tax Law (such as a telegraph, telephone, trucking, railroad, gas or electric business) is not subject to Article 32 of the Tax Law if any of its business receipts from that business are from outside the corporation that controls it.

A 65% or more owned corporation subject to tax under Article 9-A for its tax year ending in 1984 may make a one time election to continue to be taxable under Article 9-A. This election remains in effect until revoked by the taxpayer. In no event can the election or revocation of the election be for part of the tax year. The election is made by the filing of a tax return pursuant to Article 9-A of the Tax Law and the revocation is made by the filing of a tax return pursuant to Article 32 of the Tax Law.

License and Maintenance Fees

Foreign bank holding companies and 65% or more owned foreign banking corporations (as defined under *Who Must File*, Item D) which are subject to tax under Article 32, must pay a license fee (Form CT-240) and maintenance fee imposed by section 181 of the Tax Law.

Independently Procured Insurance Tax

If you purchase or renew a taxable insurance contract from an insurer not authorized to transact business in New York State under a Certificate of Authority from the Superintendent of Insurance, you will be liable for a tax of 3.6% of the premium. See Form CT-33-D or TSB-M-90(9)C for more information.

Definition of Doing Business Within New York State

The phrase *doing business* includes all activities which occupy the time and labor of people for profit. In determining whether or not a corporation is doing business in New York State consideration is given to such factors as: the nature, continuity, frequency and regularity of the activities of the corporation in New York State; the location of the corporation's offices and other places of business; the employment in New York State of agents, officers and employees of the corporation and other relevant factors. Activities which constitute doing business in New York State include: operating a branch, loan production office, representative office or a bona fide office in New York State. Activities which do not constitute doing business in New York State include: occasionally acquiring a security interest in real or personal property located in New York State or occasionally acquiring title to property located in New York State through foreclosure of a security interest.

Definition of Banking Business

The phrase *banking business* means the business a corporation may be created to do under Article 3 (Banks and Trust Companies), Article 3-B (Subsidiary Trust Companies), Article 5 (Foreign Banking Corporations and National Banks), Article 5-A (New York Business Development Corporation), Article 6 (Savings Banks) or Article 10 (Savings and Loan Associations) of the New York State Banking Law or the business a corporation is authorized to do by such articles. With respect to a national banking association, federal savings bank, federal savings and loan association or production credit association, the phrase *banking business* means the business a national banking association, federal savings bank, federal savings and loan association or production credit association may be created to do or is authorized to do under the laws of the United States or the laws of New York State.

The phrase *banking business* also means such business as any corporation organized under the authority of the United States has authority to do which is substantially similar to the business which a corporation may be created to do under Article 3, 3-B, 5, 5-A, 6 or 10 of the New York State Banking Law or any business which a corporation is authorized to do by such article.

Definition of a Bank Holding Company

The following are bank holding companies:

— a corporation or association subject to Article 3-a of the New York Banking Law,

— a corporation or association registered under the Federal Bank Holding Company Act of 1956, as amended,

— a corporation or association registered as a savings and loan holding company (excluding a diversified savings and loan holding company) under the Federal National Housing Act as amended, and

— a publicly traded partnership treated as a corporation under section 7704 of the IRC.

Change of Business Information

If there have been any changes in your business name, ID number, mailing address, business address, telephone number or owner/officer information, complete Form DTF-95, *Change of Business Information*. If you don't have a form, call toll free (from New York State only) 1 800 462-8100. From areas outside New York State, call (518) 438-1073. If your address has changed, check the box next to the name and address on the form.

When and Where to File

File Form CT-32 within 2½ months after the end of the tax year. If you are reporting for the 1990 calendar year file your return on or before March 15, 1991. If you cannot meet the filing deadline, ask for an extension of time by filing Form CT-5.

Mail returns to:

NYS Corporation Tax
Processing Unit
P.O. Box 1909
Albany, NY 12201-1909

International Banking Facility (IBF) Election

A corporation which has an International Banking Facility (IBF) located in New York State may, in lieu of the deduction for the adjusted eligible net income of such IBF, elect on an annual basis to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income allocation percentage. This election must be made within 45 days of the beginning of its tax year. This election must be in writing and addressed to:

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

The election is required to be made on an annual basis and is binding for that tax year and cannot be changed by filing an amended return.

Allocation

A corporation which is doing business both within and outside of New York State is entitled to allocate its entire net income, alternative entire net income and taxable assets within and outside of New York State. A corporation not doing business outside of New York State must allocate its entire net income, alternative entire net income and taxable assets 100% to New York State. However, a corporation that has an International Banking Facility (IBF) located in New York State may elect to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income allocation percentage.

Combined Return

If a combined return is permitted or required, each corporation included in the combined return must file Form CT-32. In addition, corporations filing Form CT-32-A are now also required to file Form CT-32-B.

Copy of Federal Return

Attach a copy of federal Form 1120 or 1020F complete with attachments and any other returns or information requested in this return.

Metropolitan Transportation Business (MTB) Tax Surcharge. Any corporation taxable under Article 32 that does business in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-32-M and pay the MTB tax surcharge. The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

Answer the MTB surcharge question on page 1. Corporations not doing business in the MCTD must disclaim liability for the tax surcharge by answering *No* and are not required to file Form CT-32-M.

Line A - After completing your return, enter the amount of your payment. Your payment should be the full amount shown on line 14.

Schedule A

Line 1 - Enter allocated taxable entire net income computed on line 52, Schedule B and multiply by the tax rate of 9%.

Line 2 - Enter allocated taxable alternative entire net income computed on Schedule C, line 60 and multiply by the tax rate of 3%.

Line 3 - Enter allocated taxable assets computed on line 65, Schedule D and multiply by the appropriate tax rate.

Line 5 - Enter the amount from line 1, 2, 3 or 4, whichever is largest.

Line 6 - Enter the amount claimed for the following tax credits:

a. Eligible Business Facility Tax Credit (sec. 1456(b)). Attach Form CT-45.

b. Economic Development Zone Capital Corporation Tax Credit (sec. 1456(d)). See Form DTF-602 for detailed instructions.

c. Tax Credit for Servicing Mortgages (sec. 1456(a)). If you claim this credit you must submit a copy of the letter from the New York State Mortgage Agency approving the credit. This credit can reduce the tax to zero. Enter amount in the space provided on Form CT-32.

d. Economic Development Zone Wage Tax Credit (sec. 1456(e)). See Form DTF-601 for detailed instructions.

e. Special Additional Mortgage Recording Tax Credit (sec. 1456(c)). See Form CT-43 for detailed instructions.

These credits, except for the credit for servicing mortgages, may not reduce your tax below the minimum tax of $250. The tax credits must be claimed in the same order as they are described.

Line 7b - Section 1455-A of the Tax Law as amended by Chapter 190 of the Laws of 1990 provides for a 15% tax surcharge on banking corporations taxable under Article 32. The 15% tax surcharge applies to tax years ending after June 30, 1990, and before July 1, 1992. It is computed after the deduction of any credits allowable under Article 32. The 15% tax surcharge cannot be imposed upon any taxpayer for more than 24 months.

Corporations which file as a member of a combined group should compute the 15% tax surcharge on Form CT-32-A, not on Form CT-32.

See TSB-M-90(8)(C) for additional information

Line 8a - Use this line if you have filed Form CT-5, *Application for Extension*. Enter amount shown on line 5 of Form CT-5.

Line 8b - If the total tax and the tax surcharge on line 7c exceeds $1,000 and Form CT-5 was not filed, a mandatory first installment is required for the period following that covered by this return. Enter 25% of tax shown on line 7c.

Line 10 - Complete the payment reconciliation on page 7 and enter the total prepayments of estimated tax from Line F. Include overpayment carryover from preceding period and any payment made with Form CT-5, *Application for Extension*.

Line 12 - Late Filing — Interest — If you do not pay the tax due on or before the due date (determined without regard to any extension of time), you must pay interest on the amount of the underpayment from the due date to the date paid. Interest will be compounded daily. If you need assistance 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.

Line 13a - Late Filing — Additional Charges — Additional charges for late filing are computed on the amount of tax less any payment made on or before the due date.

a. If you do not file a return when due or if the application for extension is invalid, add to the tax 5% per month up to 25% (section 1085(a) (1)(A)).

b. If you do not file a return within 60 days of the due date, the addition to tax cannot be less than the smaller of $100 or 100% of the amount required to be shown as tax (section 1085 (a)(1)(B)).

c. If you do not pay the tax shown on a return, add to the tax ½% per month up to 25% (section 1085 (a) (2)).

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

Line 13b - Penalty for Underpaying Estimated Tax — Every corporation whose New York State franchise tax liability can reasonably be expected to exceed $1,000 must file a declaration of estimated tax, Form CT-400. A penalty will be imposed if a taxpayer fails to file a declaration of estimated tax or fails to pay all or any part of an installment payment of estimated tax, see Form CT-222, *Underpayment of Estimated Tax by Corporations*.

Line 16 - Every corporation subject to tax under Article 32 of the Tax Law, including each corporation included in a combined return, must compute its issuer's allocation percentage on a separate basis (see instructions on page 9).

Compute the issuer's allocation percentage on page 8. Failure to provide the information necessary to compute the issuer's allocation percentage may result in a $500 penalty (Tax Law, section 1085(o)).

Schedule B

Line 17 - Enter federal taxable income before net operating loss and special deductions.

If you are filing federal returns on a consolidated basis, enter federal taxable income before net operating loss and special deductions that would be reported if a separate federal return had been filed.

Attach a copy of consolidated federal return with spread sheets or work papers supporting the federal consolidated return.

Line 18a - Corporations organized under the laws of a country other than the US enter dividends (including the IRC section 78 gross-up on dividends to the extent not already included in federal taxable income) and interest on any kind of stock, securities or indebtedness which is effectively connected with the conduct of a trade or business in the US pursuant to section 864 of the IRC and is excluded from federal taxable income.

Line 18b - Corporations organized under the laws of a country other than the US enter any income effectively connected with the conduct of a trade or business in the US pursuant to section 864 of the IRC which is exempt from federal taxable income under any treaty obligation of the US and any income which would be treated as effectively connected with the conduct of a trade or business in the US pursuant to section 864 of the IRC were it not excluded from gross income pursuant to section 103(a) of the IRC.

Line 19 - Corporations organized under the laws of the US or any of its states enter dividends (including the IRC section 78 gross-up on dividends to the extent not already included in federal taxable income) and interest on any kind of stock, securities or indebtedness which was excluded from federal taxable income. Include all interest on state and municipal bonds and obligations of the US and its instrumentalities.

Line 20 - Enter any taxes on or measured by income or profit paid or accrued to the United States, any of its possessions or any foreign country, which was deducted in computing federal taxable income on line 17.

Line 21 - Enter all New York State franchise taxes imposed under sections 183, 184 and 186 of Article 9, Articles 9-A and 32 which were deducted in computing federal taxable income.

Line 22 - Enter total amounts of federal depreciation from lines 68 and 70.

Line 23 - Enter amount of New York State gain or (loss) from line 72.

Line 24a - Enter any amount claimed as a deduction in computing federal taxable income solely as a result of an election made pursuant to the provision of IRC, section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84).

Line 24b - Enter any amount which the taxpayer would have been required to include in the computation of its federal taxable income had it not made the election permitted pursuant to the provisions of IRC section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84).

Line 25 - If special additional mortgage recording tax credit is being claimed, you must adjust entire net income by adding back the special additional mortgage recording tax claimed as a credit and used as a deduction in the computation of federal taxable income. The gain on the sale of real property on which the special additional mortgage recording tax credit was claimed must be increased when all or any portion of the credit was also used in the basis for computing the federal gain.

Line 27 - Enter any amount allowed as a deduction for federal income tax pursuant to section 593(b)(1)(B) of the Internal Revenue Code.

Line 28 - Enter the amount allowed as a deduction pursuant to section 166 of the Internal Revenue Code if subject to the provisions of section 585(c) of that code.

Line 29 - (1) If you compute a bad debt deduction pursuant to section 1453(h) of the Tax Law, enter 20% of the amount by which (i) the sum of the amount determined pursuant to section 1453(h)(2) plus the amount allowed as a deduction for federal income tax pursuant to section 593(b)(1)(A) exceeds (ii) the amount which would have been allowable as a deduction had you maintained a bad debt reserve for all tax years on the basis of actual experience.

(2) If you compute a bad debt deduction pursuant to section 1453(i) of the Tax Law, enter 20% of the excess of the amount determined pursuant to section 1453(i) over the amount which would have been allowable as a deduction had you maintained a bad debt reserve for all tax years on the basis of actual experience.

Line 30 - If you make an adjustment to federal taxable income on line 43, you must add any income the IBF received from foreign branches which is included on line 80 of Schedule G that is not included in federal taxable income.

Line 32 - Enter expenses not deducted on your federal return which are applicable to income from dividends or interest which is exempt from federal tax, shown on lines 18 and 19.

Line 33 - Enter amount of New York State allowable depreciation from line 71.

Line 34 - Enter amount of federal gain or (loss) from lines 73 and 75.

Line 35 - Enter any income or gain from installment sales included in federal taxable income which was previously includable in computing tax under Articles 9-B or 9-C.

Line 36 - Enter the amount of IRC section 78 dividends included on lines 17, 18 and 19.

Line 37a - Enter any amount included in federal taxable income solely as a result of an election made pursuant to the provisions of IRC, section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to (1/1/84).

Line 37b - Enter any amount you could have excluded from federal taxable income had you not made the election pursuant to IRC section 168 (f)(8) (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84). For additional information on safe harbor leases see our TSB-M-82 (15) C Memorandum.

Line 38 - A deduction may be made for the amount of wages which were disallowed in the computation of your federal taxable income for the purpose of the Jobs Credit. Attach a copy of federal Form 5884.

Line 39 - Enter any amount of money or other property (whether or not evidenced by a note or other instrument) received from the Federal Deposit Insurance Corporation under section 13(c) of the Federal Deposit Insurance Act, as amended, or the Federal Savings and Loan Insurance Corporation under section 406(f)(1), (2), (3) or (4) of the Federal National Housing Act, as amended.

Line 40 - Attach a list showing the names of the subsidiaries and the amount of interest income received from each (see TSB-M-87(11)C).

A subsidiary is a corporation which is controlled by the taxpayer, because the taxpayer owns more than 50% of the total number of the shares of the corporation's voting capital stock.

Subsidiary capital is the taxpayer's total investment in shares of stock in its subsidiaries, and the amount of indebtedness owed to the taxpayer by its subsidiaries (whether or not evidenced by written instruments) on which interest is not claimed and deducted by the subsidiary against any tax imposed by Articles 9-A, 32 or 33 of the Tax Law.

Subsidiary capital does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for sales of property held primarily for sale to customers.

Line 41 - Attach a list showing the names of the subsidiaries and the amount of dividend income, gains and losses from each. (See TSB-M-87 (11)C.) Deduct from subsidiary dividends any section 78 dividends deducted on line 36 which are attributable to dividends from subsidiary capital. If losses from subsidiary capital exceed dividends and gains from subsidiary capital, the net loss is multiplied by 60% and the result is shown in brackets as a negative deduction.

Line 42 - Attach a list showing the name and amount of interest income received from each obligation of New York State, each obligation of political subdivisions of New York State and each obligation of the United States. The term obligation refers to obligations incurred in the exercise of the borrowing power of New York State or any of its political subdivisions or of the United States. The term *obligation* does not include obligations held for resale in connection with regular trading activities or obligations which guarantee the debt of a third party. The following do not qualify under this provision: guaranteed student loans, industrial development bonds issued pursuant to Article 18-A of the New York State General Municipal Law, FNMA mortgage-backed securities and GNMA mortgage-backed securities.

Additional information can be found in TSB-M-86(7)C.

Line 43 - Enter amount from line 99 of Schedule G if you do not elect to use the IBF formula allocation method. Note: See lines 30 and 47 for adjustments to federal taxable income which are attributable to transactions between the taxpayer's foreign branches and its IBF.

Line 44 - Enter any amount which is included in federal taxable income pursuant to section 585(c) of the Internal Revenue Code.

Line 45 - Enter any amount which is included in federal taxable income as a result of a recovery of a loan by a taxpayer subject to the provisions of section 585(c) of the Internal Revenue Code.

Line 46a - (1) A taxpayer which computes all or a portion of its bad debt deduction for federal income tax purposes pursuant to section 593(b)(1)(B) of the Internal Revenue Code using the percentage of taxable income method set forth in section 593(b)(2) of such code, there shall be allowed as a deduction in computing entire net income an amount determined as follows:

(A) (i) Ascertain the amount deducted for federal income tax purposes pursuant to section 593(b)(1)(B) of the Internal Revenue Code and add to it the amount, if any, deducted for federal income tax purposes pursuant to section 593(b)(1)(A).

(ii) Multiply the amount determined in (1)(A)(i) by five.

(iii) Subtract from the amount determined in (1)(A)(ii) the amount deducted for federal income tax purposes pursuant to section 593(b)(1)(A).

(B) The amount determined under (1)(A) shall not exceed the amount necessary to increase the balance at the close of the tax year of the New York reserve for losses on qualifying real property loans to six percent of such loans outstanding at such time.

(C) The amount determined under (1)(A) shall in no case be greater than the larger of

(i) the amount determined under section 593(b)(3) of the internal revenue code for the tax year, or

(ii) the amount which, when added to the amount determined under section 593(b)(1)(A) of such code for the tax year, equals the amount by which twelve percent of the total deposits or withdrawable accounts of depositors of the taxpayer at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of such year (taking into account any portion thereof attributable to the period before the first tax year beginning after December 31, 1951).

(2) (A) Each taxpayer described in (1) shall establish and maintain a New York reserve for losses on qualifying real property loans. Such reserve shall be maintained for all subsequent tax years. The balance of the New York reserve for losses on qualifying real property loans at the beginning of the first day of the first tax year the taxpayer becomes subject to this subsection shall be the same as the balance at the beginning of such day of the reserve for losses on qualifying real property loans maintained for federal income tax purposes.

(B) All debts which are charged or credited to the reserve for losses on qualifying real property loans maintained for federal income tax purposes must be charged or credited to the New York reserve for losses on qualifying real property loans. No other debts may be charged or credited to such New York reserve.

(C) The New York reserve for losses on qualifying real property loans shall be increased by the amount determined under (1) or the amount determined under section 593(b)(1)(B) of the Internal Revenue Code if such amount was determined using the experience method set forth in section 593(b)(3) of such code.

(3) (A) There shall be allowed as a deduction in computing entire net income the amount, if any, included in federal taxable income pursuant to section 593(e)(2) of the Internal Revenue Code.

(B) Any distribution of property (as defined in section 317(a) of the Internal Revenue Code) by a domestic building and loan association or an institution that is treated as a mutual savings bank under section 591(b) of such code to a shareholder with respect to its stock, if such distribution is not allowable as a deduction under section 591 of such code, shall be treated as made

(i) first out of its New York earnings and profits accumulated in tax years beginning after December 31, 1951, to the extent thereof,

(ii) then out of the New York reserve for losses on qualifying real property loans, to the extent additions to such reserve exceed the additions which would have been allowed under section 593(b)(3) of such code,

(iii) then out of the supplemental reserve for losses on loans maintained for federal income tax purposes, to the extent thereof,

(iv) then out of such other accounts as may be proper.

(3)(B) shall apply in the case of any distribution in redemption of stock or in partial or complete liquidation of the association or an institution that is treated as a mutual savings bank under section 591(b) of such code, except that any such distribution shall be treated as made first out of the amount referred to in (3)(B)(ii), second out of the amount referred to in (3)(B)(iii), third out of the amount referred to in (3)(B)(i) and then out of such other accounts as may be proper. (3)(B) shall not apply to any transaction to which section 381 of such code (relating to carryovers and certain corporate acquisitions) applies, or to any distribution to the federal savings and loan insurance corporation or the federal deposit insurance corporation in redemption of an interest in an association or institution, if such interest was originally received by the federal savings and loan insurance corporation or the federal deposit insurance corporation in exchange for financial assistance pursuant to section 406(f) of the Federal National Housing Act or pursuant to subsection (c) of section thirteen of the Federal Deposit Insurance Act.

(C) If any distribution is treated under (3)(B) as having been made out of the reserves described in (3)(B)(ii) and (3)(B)(iii), the amount charged against such reserve shall be the amount which, when reduced by the amount of tax imposed under the Internal Revenue Code and attributable to the inclusion of such amount in gross income, is equal to the amount of such distribution; and the amount so charged against such reserve shall be included in the entire net income of the taxpayer.

(D) (i) For purposes of (3)(B)(ii), additions to the New York reserve for losses on qualifying real property loans for the tax year in which the distribution occurs shall be taken into account.

(ii) For purposes of computing the amount of a reasonable addition to the New York reserve for losses on qualifying real property loans for any tax year, the amount charged during any year to such reserve pursuant to the provisions of (3)(C) shall not be taken into account.

(4) A taxpayer which maintains a New York reserve for losses on qualifying real property loans and which ceases to be subject to the provisions of section 593 of the internal revenue code, must include in its entire net income for the last tax year such section applied the excess of its New York reserve for losses on qualifying real property loans over its reserve for losses on qualifying real property loans maintained for federal income tax purposes.

Line 46b - (1) A taxpayer subject to the provisions of section 585(c) of the Internal Revenue Code may, in computing entire net income, deduct an amount equal to or less than the amount determined pursuant to (1)(A) or (1)(B), whichever is greater. Provided, however, in no event shall the deduction be less than the amount determined pursuant to such (1)(A).

(A) The amount determined pursuant to (1)(A) shall be the amount necessary to increase the balance of its New York reserve for losses on loans (at the close of the tax year) to the amount which bears the same ratio to loans outstanding at the close of the tax year as (i) the total bad debts sustained during the tax year and the five preceding tax years (or, with the approval of the Commissioner of Taxation and Finance, a shorter period), adjusted for recoveries of bad debts during such period, bears to (ii) the sum of the loans outstanding at the close of such six or fewer tax years.

(B) (i) The amount determined pursuant to (1)(B) shall be the amount necessary to increase the balance of its New York reserve for losses on loans (at the close of the tax year) to the lower of —

(I) the balance of the reserve at the close of the base year, or

(II) if the amount of loans outstanding at the close of the tax year is less than the amount of loans outstanding at the close of the base year, the amount which bears the same ratio to loans outstanding at the close of the tax year as the balance of the reserve at the close of the base year bears to the amount of loans outstanding at the close of the base year.

(ii) For purposes of (1), the base year shall be

(I) for tax years beginning in nineteen hundred eighty-seven, the last tax year before the most recent adoption of the experience method for federal income tax purposes or for purposes of Article 32, whichever is earlier, and

(II) for tax years beginning after 1987, the last tax year beginning before 1988.

(2) Each taxpayer described in (1) shall establish and maintain a New York reserve for losses on loans. Such reserve shall be maintained for all subsequent tax years. The balance of the New York reserve for losses on loans at the beginning of the first day of the first tax year the taxpayer becomes subject to section 1453(i) shall be the same as the balance at the beginning of such day of the reserve for losses on loans maintained for federal income tax purposes. The New York reserve for losses on loans shall be reduced by an amount equal to the deduction allowed, but not more than the amount allowable, for worthless debts for federal income tax purposes pursuant to section 166 of the Internal Revenue Code plus the amount, if any, charged against its reserve for losses on loans pursuant to section 585(c)(4) of such code.

(3) The determination and treatment of the New York reserve balance, including any additions thereto, subtractions therefrom, or recapture thereof, for

(A) any banking corporation which was subject to tax for federal income tax purposes but not subject to tax under Article 32 for prior tax years,

(B) any taxpayer which ceases to be subject to tax under Article 32, or

(C) any other unusual circumstances

shall be determined by the Commissioner of Taxation and Finance. Provided, however, any banking corporation which was subject to tax for federal income tax purposes but not subject to tax under Article 32 for prior tax years shall have as its opening New York reserve for losses on loans the amount determined by applying the provisions of (1)(A) to loans outstanding at the close of its last tax year for federal income tax purposes ending prior to the first tax year for which the taxpayer is subject to tax under Article 32 and provided, further, that the provisions of (1)(B) shall not apply.

Line 47 - If you make an adjustment to federal taxable income on line 43, you must subtract any expenses of the IBF which were paid to foreign branches of the taxpayer which are included on line 83 of Schedule G that are not included in federal taxable income.

Line 51 - If you claim a deduction for optional depreciation, enter the amounts from lines 69 and 74.

Schedule C

Line 53 - Entire net income must be the same as that reported on line 49, Schedule B. Whatever election you make concerning the IBF modification to entire net income applies to the computation of alternative entire net income.

Line 54 - Enter the amount subtracted on line 40 of Schedule B.

Line 55 - Enter the amount subtracted (or, in the case of a loss, added) on line 41, Schedule B.

Line 56 - Enter the amount subtracted on line 42, Schedule B.

Line 59 - If you claim a deduction for optional depreciation, enter the amounts from lines 69 and 74.

Schedule D

Computation of Taxable Assets
A taxpayer is not subject to the tax on taxable assets for that portion of the tax year in which it had outstanding net worth certificates issued to the Federal Savings and Loan Insurance Corporation (FSLIC) in accordance with section 406(f)(5) of the Federal National Housing Act, as amended, or outstanding net worth certificates issued to the Federal Deposit Insurance Corporation (FDIC) in accordance with section 13(i) of the Federal Deposit Insurance Act, as amended.

Line 61 - Compute the average value of total assets which includes money or other property received from the FSLIC or FDIC and interbank placements. Average value of total assets is generally computed on a quarterly basis. However, you may use a more frequent basis, such as monthly, weekly or daily. Total assets are those assets which are properly reflected on a balance sheet, the income or expenses of which are properly reflected (or would have been properly reflected if not fully depreciated or expensed or depreciated or expensed to a nominal amount) in the computation of the taxpayer's alternative entire net income for the tax year or in the computation of the eligible net income of the taxpayer's IBF for the tax year. Tangible real and personal property, such as buildings, land, machinery and equipment is valued at cost. Intangible property such as loans, investments, coin and currency is valued at book value.

Line 62- Include any amount of money or other property (whether or not evidenced by a note or other instrument) received from or attributable to amounts received from the FDIC pursuant to section 13(c) of the Federal Deposit Insurance Act, as amended, or the FSLIC pursuant to section 406(f)(1) (2) (3) or (4) of the Federal National Housing Act, as amended.

Line 63 - For taxpayers whose total assets are comprised of 20% or more of interbank placement of funds, enter the amount of interbank placements up to an amount not exceeding $500 million. To determine whether a taxpayer's total assets are comprised of 20% or more of interbank placements of funds, divide total interbank placements of funds by total assets (line 61). **Taxpayers claiming this deduction must attach a statement showing this qualifying computation.**

The phrase *interbank placements* means the average value of interest bearing funds, with a maturity of less than one year, placed or deposited by a taxpayer with a banking corporation (other than one described on page 1 under *Who Must File*, Item D) provided such banking corporation is not 65% or more affiliated with the taxpayer. In determining the average value of interest bearing funds, the book value of such funds must be used. The average value of interest bearing funds is computed on a daily basis. If the taxpayer's usual accounting practice does not permit the computation of the average value of interest bearing funds on a daily basis, a computation on a weekly basis will be permitted.

Line 66 - The term *net worth ratio* means the percentage of net worth to assets on the last day of the tax year. The term net worth means the sum of preferred stock, common stock, surplus, capital reserves, undivided profits, mutual capital certificates, reserve for contingencies, reserve for loan losses and reserve for security losses minus assets classified loss. The term assets means the sum of mortgage loans, nonmortgage loans, repossessed assets, real estate held for development or investment or resale, cash, deposits, investment securities, fixed assets and other assets (such as financial futures, goodwill and other intangible assets) minus assets classified loss. In no event shall assets be reduced by reserves for losses.

Line 67 - The percentage of mortgages included in total assets is determined by dividing the average of the four quarterly balances of mortgages ending within the tax year by the average of the four quarterly balances of all assets ending within the tax year. Such quarterly balances shall be computed in the same manner as the Report of Condition required for FDIC or FSLIC purposes whether or not such report is required. The term mortgages means loans secured by real property within or without New York State, participations in and securities collateralized by pools of residential mortgages, whether or not issued or guaranteed by a United States government agency, and loans secured by stock in a cooperative housing corporation.

Schedule E

Part I At the election of the taxpayer, up to double the amount of federal depreciation on qualified tangible property (except personal property leased to others) may be deducted in lieu of the amount of normal depreciation. The original use of such property must commence with the taxpayer and the property must be (1) depreciable tangible property as defined by section 167 of the Internal Revenue Code, (2) constructed or acquired after December 31, 1963 and on or before December 31, 1967 and (3) have a situs in New York. The total deduction of all years, including years covered by Articles 9-B or 9-C with respect to any unit of property, may not exceed the cost of such property. Any unused optional depreciation may be carried forward to succeeding years. The amount of carryover is determined by limiting allocated entire net income (Schedule B, line 50) to zero.

Part II Include property on which the method of depreciation under Article 9-B or 9-C was different than that used for federal purposes.

Adjustments to Entire Net Income resulting from Accelerated Cost Recovery System (ACRS) Property

Include in Part II column *e* the following items:

— For property placed in service in tax years beginning **before 1/1/85** the ACRS deduction on all such property.

— For property placed in service in tax years **after 1/1/85** the ACRS deduction on such property placed in service **outside** New York State.

— For tax years ending **after 6/18/84 DO NOT** include the ACRS deduction on property subject to the provisions of section 280F of the IRC, whether such property is located within or without New York State.

— Any adjustments on the disposition of ACRS property where New York State depreciation exceeded federal depreciation.

Include in Part II column *g* the following items:

— For property placed in service in tax years beginning **before 1/1/85,** the allowable New York State depreciation deduction computed under section 167 of the IRC.

— For property placed in service **outside** New York State in tax years beginning **on or after 1/1/85,** the allowable New York State depreciation deduction computed under section 167 of the IRC.

— For tax years ending **after 6/18/84 do not** include the ACRS deduction on property subject to the provisions of section 280F of the IRC, whether such property is located within or without New York State.

— Any adjustments on the disposition of ACRS property where federal depreciation exceeded New York State depreciation.

Complete and attach Form CT-399 *Schedule for New York State Depreciation Adjustment.*

Schedule F

In computing gain, enter the higher of cost or fair market price or value at applicable date. In computing loss enter the lower of cost or fair market price or value at applicable date.

Upon sale or disposition, the net gain or loss thereon should be computed by adjusting the federal basis of such property to reflect the total deductions allowed for all years, including years covered by Article 9-B or 9-C.

Schedule G

IBF

A corporation with an **IBF** located in New York State may exclude the adjusted eligible net income or add the adjusted eligible net loss of such IBF in computing its entire net income and alternative entire net income, OR the corporation may elect, on an annual basis, to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income allocation percentage. For timely notification concerning the IBF election, see page 1 of these instructions. Indicate whether the election has been made by checking the appropriate box on Schedule G.

A corporation with an IBF located in New York State which **has not elected** to reflect the results of its IBF operations in its entire net income allocation percentage or alternative entire net income allocation percentage deducts from entire net income (at Schedule B, line 43) the adjusted eligible net income of such IBF or adds to entire net income (at Schedule B, line 43) the adjusted eligible net loss of such IBF. A corporation using this method is required to complete all of Schedule G to determine the adjusted eligible net income or loss of its IBF.

A corporation with an IBF located in New York State which **has elected** to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income percentage must complete lines 76 through 80 of Schedule G.

Whatever election the corporation makes concerning the IBF modification to entire net income applies to the computation of alternative entire net income. The election is binding on the taxpayer for that tax year and cannot be changed by filing an amended return.

Schedule H

Allocation Percentage

A corporation which is doing business both within and outside of New York State is entitled to allocate its entire net income, alternative entire net income and taxable assets within and without New York State. A corporation which is not doing business without New York State must allocate its entire net income, alternative entire net income and taxable assets 100% to New York State. However, a corporation that has an IBF located in New York State may elect, on an annual basis, to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income allocation percentage. For timely notification concerning the IBF election, see page 1 of these instructions.

A corporation which is not doing business outside of New York State and which has made the IBF election must allocate taxable assets 100% to New York State.

In determining whether a corporation is doing business without New York State consideration is given to the same factors used to determine if business is being carried on within New York State. See *Definition of Doing Business Within New York State* on page 1 of these instructions. A corporation which claims to be doing business without New York State must attach a statement describing the activities of the corporation within and without New York State.

Each allocation percentage is determined by a formula consisting of a payroll factor, receipts factor and deposits factor.

The receipts factor includes only receipts which are included in the computation of alternative

alternative entire net income for the tax year. The deposits and payroll factors shall include only deposits and payroll, the expenses of which are included in the computation of alternative entire net income for the tax year. Each factor is computed on a cash or accrual basis according to the method of accounting used by the taxpayer for the tax year in computing its alternative entire net income.

Payroll Factor

The percentage of a corporation's payroll allocated to New York State is determined by dividing 80% (100% when computing the alternative entire net income allocation percentage) of the wages, salaries and other personal service compensation of the corporation's employees, except general executive officers, within New York State during the period the corporation is entitled to allocate by the total amount of wages, salaries and other personal service compensation of the corporation's employees, except general executive officers, both within and outside of New York State during the period the corporation is entitled to allocate.

The term *employees* includes every individual, except general executive officers, where the relationship existing between the corporation and the individual is that of employer and employee. The phrase "employees within New York State" includes all employees regularly connected with or working out of an office of the corporation within New York State, irrespective of where the services of such employees were performed.

The phrase *general executive officer* includes every officer of the corporation charged with and performing general executive duties of the corporation who is elected by the shareholders, elected or appointed by the board of directors, or if initially appointed by another officer, such appointment must be ratified by the board of directors. A general executive officer must have company-wide authority with respect to assigned functions or duties or must be responsible for an entire division of the company.

Receipts Factor

The percentage of the taxpayer's receipts allocated to New York State is determined by dividing 100% of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan) and financing leases and all other business receipts earned within New York State during the period the taxpayer is entitled to allocate by the total amount of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan) and financing leases and all other business receipts earned within and outside of New York State during the period the taxpayer is entitled to allocate.

Interest Income From Loans and Financing Leases

Interest income from loans and financing leases is allocated to New York State if such income is attributable to a loan or financing lease which is located in New York State. Interest income from a loan or financing lease does not include repayments of principal. A loan or financing lease is located where the greater portion of income producing activity relating to the loan or financing lease occurred.

Except for a taxpayer which is a production credit association or a corporation described on page 1 of these instructions under *Who Must File*, Item D, a loan or financing lease attributed by the taxpayer to a branch without New York State shall be presumed to be properly so attributed provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of income producing activity related to the loan or financing lease did not occur at such branch. In the case of a loan or financing lease which is recorded on the books of a place without New York State which is not a branch, it shall be presumed that the greater portion of income producing activity related to such loan or financing lease occured within New York State if the taxpayer had a branch within New York State at the time the loan or financing lease was made. The taxpayer may rebut such presumption by demonstrating that the greater portion of income producing activity related to the loan or financing lease did not occur within New York State.

In the case of a taxpayer which is a production credit association or a corporation described on page 1 of these instructions under *Who Must File*, Item D, a loan or financing lease attributed by the taxpayer to a bonafide office without New York State shall be presumed to be properly so attributed provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of income producing activity related to the loan or financing lease did not occur without New York State.

Income producing activity includes such activities as: solicitation, investigation, negotiation, approval and administration of the loan or financing lease. A loan or financing lease is made when such loan or financing lease is approved. The term *loan* means any loan, whether the transaction is represented by a promissory note, security, acknowledgement of advance, due bill or any other form of credit transaction, if the related asset is properly recorded in the financial accounts of the taxpayer. Loans include the taxpayer's portion of a participation in a loan. The term *financing lease* means a lease where the taxpayer is not treated as the owner of the property for purposes of computing alternative entire net income.

Other Income From Loans and Financing Leases

Other income from loans and financing leases includes, but is not limited to, arrangement fees, committment fees and management fees but does not include repayments of principal. Other income from loans and financing leases is allocated to New York State when the greater portion of income producing activity relating to such income is within New York State.

Lease Transactions and Rents

Receipts from real property and tangible personal property leased or rented from the corporation are allocated to New York State if such property is located in New York State. Receipts from rentals include all amounts received by the corporation for the use of or occupation of property, whether or not such property is owned by the taxpayer. Gross receipts received from real property and tangible personal property which is subleased must be included in the receipts factor.

Interest From Bank, Credit, Travel, Entertainment and Other Card Receivables

Interest, fees in the nature of interest and penalties in the nature of interest from bank, credit, travel, entertainment and other card receivables are allocated to New York State if the card holder's domicile is in New York State. It is presumed that the domicile of a card holder is its billing address.

Service Charges and Fees From Bank, Credit, Travel, Entertainment and Other Cards

Service charges and fees from bank, credit; travel, entertainment and other cards are allocated to New York State if the card is serviced within New York State. A card is serviced at the place where the records pertaining to such account are kept and managed.

Receipts From Merchant Discounts

Receipts from merchant discounts are allocated to New York State if the merchant is located within New York State. If a merchant has locations both within and outside of New York State, only receipts from merchant discounts attributable to sales made from locations within New York State are allocated to New York State. It shall be presumed that the location of the merchant is the address of the merchant shown on the invoice submitted by the merchant.

Income From Trading Activities and Investment Activities

The portion of total net gains and other income from trading activities (including but not limited to foreign exchange, options and financial futures) and investment activities which is attributed within New York State shall be ascertained by multiplying such total net gains and other income by a fraction the numerator of which is the average value of trading assets and investment assets attributable to New York State and the denominator of which is the average value of all trading and investment assets. A trading asset or investment asset is attributable to New York State if the greater portion of income producing activity related to the trading asset or investment asset occurred within New York State. Trading activities include, but are not limited to, foreign exchange transactions, the purchase and sale of options and financial futures, and in appropriate cases interbank fund transfers.

Interbank fund transfers include, but are not limited to, trading in negotiable certificates of deposit, currency swaps, interest rate swaps, eurodollar transfers (purchases or sales), federal funds (sales, transfers and purchases) and repurchase agreements representing transfer of funds.

Fees or Charges From Letters of Credit, Traveler's Checks and Money Orders

Fees or charges from the issuance of letters of credit, traveler's checks and money orders are allocated to New York State if such letters of credit, traveler's checks or money orders are issued within New York State.

Performance of Services

Receipts for services performed by the taxpayer's employees regularly connected with or working out of a New York State office of the taxpayer are allocated to New York State if such services are performed within New York State.

When allocating receipts for services performed, it is immaterial where such receipts are payable or where they are actually received.

Where services are performed both within and outside of New York State, the portion of the receipts attributable to services performed within New York State is determined on the basis of the relative value of, or amount of time spent in performance of, such services within New York State, or by some other reasonable method. Full details must be submitted with the taxpayer's return.

Royalties

Receipts of royalties from the use of patents, copyrights and trademarks are allocated to New York State if the taxpayer's actual seat of management or control is located in New York State. Royalties include all amounts received by the taxpayer for the use of patents, copyrights or trademarks, whether or not such patents, copyrights or trademarks were issued to the taxpayer.

All Other Business Receipts

Income from securities used to maintain reserves against deposits to meet federal and state reserve requirements shall be allocated to New York State based upon the ratio that total deposits in New York State bears to total deposits everywhere.

All other business receipts earned by the taxpayer in New York State are allocated to New York State.

A receipt from the sale of a capital asset is not a business receipt and is not included in the receipts factor. For example, the receipt from the sale of a capital asset as scrap or at a gain is not included in the receipts factor.

Deposits Factor

The percentage of the taxpayer's deposits allocated to New York State is determined by dividing the average value of deposits maintained at branches of the taxpayer within New York State during the period the taxpayer is entitled to allocate by the average value of all deposits maintained at branches of the taxpayer both within and outside of New York State during the period the taxpayer is entitled to allocate.

The term *deposit* means:

— the unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler's check on which the bank is primarily liable; provided, that, without limiting the generality of the term *money or its equivalent*, any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection;

— trust funds received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank;

— money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to, escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers' reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advanced payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes; provided, that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness;

— outstanding drafts (including advice or authorization to charge a bank's balance in another bank), cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the bank itself.

A deposit is maintained at the branch of the taxpayer at which it is properly booked.

A deposit, the value of which at all times during the tax year was less than $100,000, that is booked by a taxpayer at a branch outside of New York State is presumed to be properly booked, provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of contact relating to the deposit did not occur at such branch.

A deposit, the value of which at any time during the tax year was $100,000 or more, is considered to be properly booked at the branch with which it has a greater portion of contact.

In determining whether a deposit has a greater portion of contact with a particular branch, consideration is given to such activities as:

— whether the deposit account was opened at or transferred to that branch by or at the direction of the depositor or by a broker of deposits, regardless of where subsequent deposits or withdrawals may be made;

— whether employees regularly connected with that branch are primarily responsible for servicing the depositor's general banking and other financial needs;

— whether the deposit was solicited by an employee regularly connected with that branch, regardless of where such deposit was actually solicited;

— whether the terms governing the deposit were negotiated by employees regularly connected with that branch, regardless of where the negotiations were actually conducted; and

— whether essential records relating to the deposit are kept at that branch and whether the deposit is serviced at that branch.

The value of deposits maintained at branches of the taxpayer is the total of the amounts credited to depositors, including the amount of any interest so credited. The average value of deposits is to be computed on a daily basis. However, if the taxpayer's usual accounting practices do not permit the computation of average value on a daily basis, a computation on a weekly basis will be permitted. The Commissioner of Taxation and Finance will not permit the computation of average value of deposits on a basis less frequent than weekly, unless the taxpayer demonstrates that requiring it to use a weekly computation would produce an undue hardship.

Allocation Percentage For Taxpayers with an IBF Located in New York State

A corporation with an IBF located in New York State which has **NOT** elected to use the IBF formula allocation method must, when computing its entire net income allocation percentage and its alternative entire net income allocation percentage:

— Exclude from the numerator and denominator of the payroll factor, the wages, salaries, and other personal service compensation of employees the expenses of which are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator and denominator of the receipts factor those receipts which are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator and denominator of the deposits factor, deposits the expenses of which are attributable to the production of eligible gross income of the IBF.

A corporation which has an IBF located in New York State and which has elected to use the IBF formula allocation method, must, when computing its entire net income allocation percentage and its alternative entire net income allocation percentage:

— Exclude from the numerator of the payroll factor, the wages, salaries and other personal service compensation of employees the expenses of which are attributable to the production of eligible gross income of the IBF. Include in the denominator of the payroll factor, the wages, salaries and other personal service compensation of employees, except general executive officers, the expenses of which are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator but include in the denominator of the receipts factor those receipts which are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator but include in the denominator of the deposits factor, deposits the expenses of which are attributable to the production of eligible gross income to the IBF.

Every corporation which has an IBF located in New York State (whether or not it has made the IBF election) must compute its taxable assets allocation percentage as follows:

— Include in the numerator and denominator of the payroll factor wages, salaries and personal service compensation of employees except general executive officers, the expenses of which are attributable to the production of eligible gross income of the IBF.

— Include in the numerator and denominator of the receipts factor receipts which are attributable to the production of eligible gross income of the IBF.

— Include in the numerator and denominator of the deposits factor deposits the expenses of which are attributable to the production of eligible gross income of the IBF.

For the purpose of computing the allocation percentages, eligible gross income does not include transactions between the taxpayer's foreign branches and its IBF.

(Cont'd on inside back cover)

(Cont'd from page 8)

Real Property Gains Tax

Every corporation with an interest in real property located in New York State must keep a record of the transfer of its stock and report annually every transfer of a controlling interest in its stock and any other information that may be required for the enforcement of tax. Article 31-B, section 1449-a (Tax on Gains Derived From Certain Real Property Transfers).

Controlling interest is either 50% or more of the total combined voting power of all classes of stock or 50% or more of the capital, profits or beneficial interest in that voting stock.

Answer both questions on page 8. If you answer *yes* to both questions, attach a separate sheet providing the following information:

— Name, address and identification number of the new controlling stockholder (use social security number for individuals and federal employer identification number for corporations).

— Date transfer was made.

— Location of real property.

— whether the corporation is a cooperative housing corporation.

Computation of the Issuer's Allocation Percentage

The issuer's allocation percentage for a CT-32 filer is computed using one of three methods. Determine which one of the three methods applies and compute the issuer's allocation percentage on page 8. Failure to provide the information necessary to compute the issuer's allocation percentage will result in a $500 penalty. See additional information on line 16 instructions and TSB-M-86(10)C.

Method I. A banking corporation (excluding corporations described in *Who Must File*, Item D) organized under the laws of the United States, New York State or any other state enters as its issuer's allocation percentage the alternative entire net income allocation percentage on Form CT-32, Schedule H, Part II, line 5.

Method II. A banking corporation (excluding corporations described in *Who Must File*, Item D) organized under the laws of a country other than the United States enters as its issuer's allocation percentage the percentage determined by dividing gross income within New York State by worldwide gross income.

Enter as gross income within New York State total receipts as shown in Schedule H, Part I, column A, line 2, letter l.

— Enter as worldwide gross income total receipts as shown in Schedule H, Part I, column B, line 2, letter l plus, all receipts as defined on line 2, letters a through k from sources outside the United States which were **not** taken into account in computing federal taxable income.

— Every corporation with an IBF located in New York State (whether or not it has made the IBF election) must include in the numerator and denominator of the issuer's allocation percentage receipts as defined on line 2, letters a through k, which are attributable to the production of eligible gross income of the IBF.

— Where the receipts shown in the computation of the issuer's allocation percentage are different than the receipts shown in Schedule H, Part I, column A or B, line 2, letter l, attach an explanation.

Method III. Every corporation owned by a bank or a bank holding company as defined by *Who Must File* item D and every bank holding company which is included in a combined return enter as its issuer's allocation percentage the percentage determined by dividing business and subsidiary capital allocated to New York State by total worldwide capital.

Computation of Subsidiary Capital Allocated to New York State

Column A - Enter the full name and federal employer identification number of each subsidiary. Subsidiary capital is defined by line 40 of the instructions or Section 1450(e) of the Tax Law.

Column C - Enter the average value of each subsidiary. The average value is computed on a quarterly, monthly, weekly or daily basis. Use the same basis of averaging subsidiary capital used to average total assets in Schedule D, line 61.

Column D - Enter the average value of current liabilities attributable to each subsidiary. The average value is computed on a quarterly, monthly, weekly or daily basis. Use the same basis of averaging current liabilities used to average subsidiary capital in column C.

Column F - Enter the issuer's allocation percentage for each subsidiary. The issuer's allocation percentage is obtained from the New York State corporation franchise tax return filed by the subsidiary corporation for the preceding year.

Issuer's allocation percentages may be obtained in Tax Service Publications or by written request (in duplicate) to:

NYS Tax Department
Taxpayer Assistance Bureau
W. A. Harriman Campus
Albany, NY 12227
Telephone (518) 457-7034

Computation of Business Capital Allocated to New York State

Line 2 - Enter the average value of total assets as computed in Schedule D, line 61.

Line 3 - Deduct the total average value of current liabilities which are properly reflected on a balance sheet. The average value is computed on a quarterly, monthly, weekly or daily basis. Use the same basis of averaging current liabilities as used to average total assets on Schedule D, line 61. Current liabilities are any liabilities maturing in one year or less from the date originally incurred.

Line 4 - Deduct the total net average value of subsidiary capital as computed on line 1, column E.

Computation of the Issuer's Allocation Percentage

Line 9 - Enter as total worldwide capital the average value of total assets as computed in Schedule D, line 61, plus the average value of all assets from sources outside the United States which were **not** taken into account in computing federal taxable income.

When computing assets from sources outside the United States, compute the average value of such assets in the same manner as the average value of total assets in Schedule D, line 61.

Deduct from total assets the total average value of current liabilities maturing in one year or less from the date originally incurred. Compute the average value of such current liabilities in the same manner as the average value of total assets.

Where the assets shown in the computation of the issuer's allocation percentage are different than the assets shown in Schedule D, line 61 attach an explanation.