



# Instructions for Form CT-186-A

## Utility Services Tax Return - Gross Operating Income

Tax Law — Article 9, Section 186-a

### General Information

You must report gross operating income on a calendar year basis even if you maintain your records and report to the IRS using a fiscal accounting period.

### Tax Rate

Chapter 410 of the Laws of 1991 increased the tax rate for utilities taxed under Article 9, section 186-a. Effective for periods beginning on or after January 1, 1991, the tax rate is 3.5%.

Chapter 166 of the Laws of 1991 added section 189 to Article 9 which imposes a tax upon gas importers who import, or cause to be imported, gas services into New York State for their own use. For additional information see TSB-M-91(5)C.

### Who Must File Form CT-186-A

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

A utility, person, corporation, company, association or joint-stock association **not** subject to the supervision of the New York State Department of Public Service that engages in the sale or furnishing of telephone or telegraph service through the use of mains, pipes or wires within New York State, whether or not such telephone or telegraph sales or services are for ultimate consumption or use by the purchaser, must file this return whether or not a tax is due.

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

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

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

### When and Where to File

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

### Extension of Time for Filing Tax Return

A request for an extension of time to file a tax return must be filed on Form CT-5.9 on or before March 15, 1995. An extension of time granted by the IRS to file a federal tax return does not extend the due date for filing Form CT-186-A.

### Metropolitan Transportation Business Tax (MTA Surcharge)

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

### Exemption from Tax

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

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

### Foreign Corporations — Maintenance Fee and License Fee

A corporation organized outside New York State (foreign corporation) that is authorized to do business in New York State must pay an annual maintenance fee of \$300. Failure to pay an annual maintenance fee of \$300 or its equivalent in New York State corporation taxes will result in annulment of the authorization. Payments of tax counted as payments toward the \$300 maintenance fee are franchise tax, gross income tax on Form CT-186-P, gross operating income tax on Form CT-186-A, state tax surcharge and MTA surcharge. The payment of tax on Form CT-240, *Report of License Fee*, does not count as payment toward the \$300 annual maintenance fee. If the total tax paid on New York State corporation tax returns for 1994 is \$300 or more, you have satisfied the requirement to pay the \$300 annual maintenance fee. If the total tax paid on New York State corporation tax returns for 1994 is less than \$300, enter on the appropriate corporation tax return the amount needed to satisfy the requirement to pay the \$300 annual maintenance fee.

### Example:

Form CT-186 — total franchise tax and state tax surcharge	\$143.75
Form CT-186-A — total tax and state tax surcharge	<u>51.50</u>
Total 1994 tax and state tax surcharge	\$195.25
Maintenance fee	<u>300.00</u>
Balance of maintenance fee due	\$104.75
Tax due on Form CT-186-A	<u>51.50</u>
Enter on Form CT-186-A, line 7	\$156.25

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

### Change of Business Information

If there have been any changes in your business name, identification number, mailing address, business address, telephone number or owner/officer information and you have not previously notified us, 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 to request one.

### Change of Address

If your address has changed, enter your new address on the label and check the box next to the name and address block at the top of your corporation tax return. Do not check this box for any change of business information other than address. You must still attach the preprinted label with the old address to enable us to update your account.

**Identifying Information**

To ensure that your corporation tax forms are processed as quickly and efficiently as possible, it is important that we have the necessary identifying information from your preprinted label. **Keep a record of the label information for future use.** Please be certain to include your employer identification number and file number on each corporation tax form mailed. This will facilitate processing of your return to the correct account. Without this information, we may not be able to process your return.

If you use a paid preparer or accounting firm, make sure they use the mailing label or label information when completing all forms prepared for you.

**Negative Amounts**

Show negative amounts, if any, in parentheses.

**Line Instructions**

**Computation of Tax**

**Line 6** — The Laws of 1994 amended the state tax surcharge.

The state tax surcharge rates are:

12½% for tax years beginning on 1/1/94 and ending on 12/31/94 (including a tax year of less than 12 months); and

7½% for tax years beginning on 1/1/95 and ending on 12/31/95 (including a tax year of less than 12 months).

The state tax surcharge does not apply to the MTA surcharge.

**Line 8b First installment for 1995** — If you did not file Form CT-5.9 and the amount on line 7 (franchise tax plus state tax surcharge) is more than \$1,000, you must pay a mandatory 25% first installment of estimated tax for 1995.

**Additional installments for 1995, Form CT-400** — If you expect your franchise tax plus tax surcharge for 1995 to exceed \$1,000, you must file Form CT-400 and pay additional installments of estimated tax on June 15, September 15, and December 15.

**Line 10** — Enter the total of all payments of estimated tax including any overpayment carryover from the preceding tax year.

**Line 12 Interest on late payments** — If you do not pay the tax and tax surcharge in full on or before the due date (without regard to an extension of time) you must pay interest on the unpaid amount from the due date until you pay it. Exclude from the interest computation any amount shown on line 8a or 8b, first installment of estimated 1995 tax. You may call the Taxpayer Assistance Bureau for the current interest rate or to have the interest computed for you. Call the Business Tax Information Center toll free (from the continental U.S. only) 1 800 972-1233. You can also 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 13 Late filing and late payment penalties** — Additional charges for late filing and late payment are computed on the amount of tax and tax surcharge less any payment made on or before the due date. Exclude from the penalty computation any amount shown on line 8a or 8b, first installment of estimated 1995 tax.

- 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 above (section 1085(a)).

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

**Line 14 Estimated Tax Penalties** — If you underpaid your estimated tax for 1994, use Form CT-222, *Underpayment of Estimated Tax by a Corporation*, to compute the penalty. Attach Form CT-222, check the box, and enter the amount of penalty on line 14. If no CT-222 penalty is due, enter "0" on line 14.

**Schedule A — Computation of Gross Operating Income (other than telephone and telegraph)**

A taxpayer required to complete Schedule A must report all purchases of gas, electricity, steam, water or refrigeration which form the basis for the

tax. The taxpayer must show the quantity sold, receipts from the sale of the commodity and the quantity of the commodity consumed by the taxpayer which was not sold. In determining gross operating income, receipts include cash, credits and property of any kind or nature without any deductions for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense, except as stated in the instructions for line 24.

**Line 21** — Enter the total receipts from the sale or furnishing of each commodity made for ultimate consumption or use within New York State.

**Line 22** — Enter all receipts from services rendered for ultimate use within New York State which are directly connected with the sale or furnishing of each commodity.

Receipts include installation charges, service charges (other than installation) which are connected with the sale or furnishing of the commodity, and rentals within the state which in fact constitute service charges.

**Line 24** — Deductions allowed from gross operating income are the taxpayer's cost of utilities resold on which the tax under section 186-a was paid by the utility which sold the commodity to the taxpayer; uncollectible accounts; and taxes imposed by New York State, its municipalities or the federal government for which the taxpayer is merely a collecting agency for the taxing authority.

Enter all deductions listed above that are included as receipts on lines 21 and 22.

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

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

Gross operating income includes:

- receipts from the sale or furnishing of telephone facilities and services which are identifiable, such as in bills rendered or in lease agreements, whether at flat or specified rates and
- receipts from the sale or furnishing of telephone facilities and services through the use of coin-operated telephones.

In determining gross operating income, receipts include cash, credits, and property of any kind or nature without any deductions for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense (except as stated below at line 29).

**Line 26** — Enter all receipts from the sale or furnishing of telephone facilities and services to guests or tenants. Enter all receipts from the sale or furnishing of telephone facilities and services through the use of coin-operated telephones. Include all receipts from intrastate, interstate and foreign telephone calls.

**Line 27** — Enter all receipts from services rendered to guests or tenants which are directly connected with the sale or furnishing of telephone facilities and services. Enter all receipts from services rendered which are directly connected with the sale or furnishing of telephone facilities and services through the use of coin-operated telephones.

Receipts include the installation charges, service charges (other than installation) which are connected with the sale or furnishing of the commodity, and rentals within the state which in fact constitute service charges.

**Line 29** — Deductions allowed from gross operating income are charges paid by the taxpayer to a telephone company for telephone facilities and services supplied by the taxpayer to tenants or guests on which the tax under section 186-a was paid by the telephone company, uncollectible accounts, and taxes imposed by New York State, municipalities or the federal government for which the taxpayer is merely a collecting agency for the taxing authority (e.g., state and local sales tax, federal excise taxes).

Enter all deductions listed above that are included as receipts on lines 26 and 27

### Schedule C — Computation and Allocation of Gross Operating Income from Telephone and Telegraph Companies and Transmission Companies

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

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

Gross operating income from interstate and foreign transmission services is allocated to New York State by using either the accounting rule allocation method or the formula rule allocation method. Check the box in Schedule C to show the method used to allocate receipts from interstate and foreign transmission services to New York State.

**Allocation — Accounting Rule Allocation Method (i.e., direct accounting)** — Use this method to allocate to New York State receipts from the sale or furnishing of interstate and foreign transmission services if you employ a Uniform System of Accounts as prescribed for federal or state regulatory purposes and the amount of gross operating income from interstate and foreign telephone or telegraph transmission services attributable from New York State customers can be determined.

**Allocation — Formula Rule Allocation Method** — Use this method to allocate receipts from the sale or furnishing of interstate and foreign transmission services if you do not employ a Uniform System of Accounts as prescribed for federal or state regulatory purposes or if that accounting does not allow for the attribution of receipts to New York customers or if such accounting does not properly reflect the amount of receipts from interstate and foreign transmission services attributable to New York State.

Taxpayers using the formula rule allocation method must complete Schedule C, Part IV, and compute a property factor percentage which is used to determine the amount of gross operating income from interstate and foreign transmission services attributable to New York State.

**Gross Operating Income** — Intrastate gross operating income includes receipts from the sale or furnishing of intrastate telephone or telegraph transmission services within New York State whether or not for ultimate consumption or use by the purchaser.

Interstate and foreign gross operating income includes receipts from the sale or furnishing of interstate and foreign telephone or telegraph transmission services allocated to New York State whether or not for ultimate consumption or use by the purchaser.

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

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

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

Limited deductions allowed from receipts comprising gross operating income are:

- The cost of resold carrier access services purchased within New York State by an interexchange telephone company from an exchange telephone company. Interexchange telephone companies which claim this deduction must complete Schedule C, Part III.
- The cost of telephone or telegraph transmission services resold in New York State on which the tax under section 186-a was previously paid. Do not include any carrier access services deducted in Schedule C, Part III. To claim this deduction, complete Schedule C, Part II.
- Cash discounts taken by customers on transmission services. To claim this deduction, complete Schedule C, Part II.
- Uncollectible accounts from the sale of transmission services. To claim this deduction, complete Schedule C, Part II.

— Taxes imposed by New York State or its municipalities or the federal government for which they are merely a collecting agency for the taxing authority (e.g., state and local sales tax, federal excise tax). To claim this deduction, complete Schedule C, Part II.

Enter all deductions listed above which are included as receipts on line 31, 32 or 33. No deduction is allowable unless the deduction is initially included as a part of receipts, except a deduction for bad debts may relate to receipts included as taxable on a prior return.

### Part I — Computation and Allocation of Gross Operating Income

#### Line 31

**Column A** — Enter all receipts which constitute gross operating income from intrastate telephone and telegraph transmission services within New York State.

**Column B** — Enter deductions from line 35.

**Column F** — Enter deductions from line 38.

#### Line 32

**Column A** — If you use the accounting rule allocation method, enter all receipts that constitute gross operating income from interstate telephone and telegraph transmission services attributable to New York State as reflected by that method. If you use the formula rule allocation method, enter all receipts that constitute gross operating income from interstate telephone and transmission services.

**Column B** — Enter deductions from line 36.

**Column D** — Enter 100% if using the accounting rule allocation method. Enter the formula rule allocation percentage from line 48, if using formula rule allocation method.

**Column F** — Enter deductions from line 39.

#### Line 33

**Column A** — If you use the accounting rule allocation method, enter all receipts that constitute gross operating income from foreign telephone and telegraph transmission services attributable to New York State as reflected by that method. If you use the formula rule allocation method, enter all receipts that constitute gross operating income from all foreign telephone and telegraph transmission services.

**Column B** — Enter deductions from line 37.

**Column D** — Enter the same percentage as line 32, Column D.

**Column F** — Enter deductions from line 40.

### Part II — Other Deductions from Gross Operating Income from January 1, 1994, to December 31, 1994

**Column A** — List in this column a description of each deduction being claimed (i.e., cash discount, uncollectible accounts, state or local sales taxes, federal excise tax, double taxation of receipts, etc.).

**Column B** — Enter for each deduction listed in column A the amount of the deduction being claimed.

**Column C** — Enter for each deduction listed in column B, the amount of the deduction attributable to intrastate, interstate or foreign transmission services.

### Part III — Interexchange Telephone Company Deduction for Carrier Access Service from January 1, 1994, to December 31, 1994

This part is to be completed by an interexchange telephone company that purchases carrier access service within New York State from an exchange telephone company and the interexchange telephone company resells the carrier access service to the consumer. This deduction is not available for carrier access services that are not resold to customers.

An interexchange telephone company is one who sells interexchange telephone service (whether intrastate, interstate or foreign) to the public as a common carrier and has obtained a certificate of convenience and necessity issued by the Federal Communication Commission or the New York Public Service Commission.

**Column B** — Enter the cost of carrier access services attributable to intrastate, interstate and foreign transmission services purchased from exchange telephone companies within New York State (see TSB-M-89(9)C) on which the exchange telephone company has paid the section 186-a tax on such carrier access services. The cost of carrier access services purchased on which the 186-a tax has been paid by the exchange telephone company should be identifiable as a separate item on the bill rendered by the telephone company.

**Part IV — Computation of Property Factor**

**Line 41** — Enter the average values of real property you owned and used in connection with interstate or foreign transmission services. In column 1, enter the average value of property physically located in New York. In column 2, enter the average value of all property wherever located. Average value is the cost of real property without allowance for depreciation or amortization. It is generally computed on a quarterly basis, but you may use a more frequent basis such as monthly, weekly or daily. The same method of valuation must be used with respect to real property within New York State and everywhere.

**Line 42** — Enter the average value of real property rented to you which you used in connection with interstate or foreign transmission services. In column 1, enter the average value of property physically located in New York. In column 2, enter the average value of all property wherever located. The average value of real property rented to a taxpayer is determined by multiplying gross rents payable during the period covered by this return by eight. Gross rents include any amount payable as rent or in lieu of rent, such as interest, insurance, taxes, repairs, etc., and amortization of leasehold improvements that revert to the lessor at the termination of the lease.

**Line 43** — Enter the average value of tangible personal property you owned which you used in connection with interstate or foreign transmission services. In column 1, enter the average value of property physically located in New York. In column 2, enter the average value of all property wherever located. Tangible personal property is corporeal personal property, such as machinery, tools, implements, goods, wares and merchandise. It does not include money, deposits in banks, shares of stock, bonds, notes, credits or evidences of an interest in property or debt, or intangible assets. Average value is the cost of tangible personal property without allowance for depreciation or amortization. It is generally computed on a quarterly basis, but you may use a more frequent basis such as monthly, weekly or daily. The same method of valuation must be used with respect to tangible personal property within New York State and everywhere.

**Line 44** — Enter the average value of tangible personal property rented to you which you used in connection with interstate or foreign transmission services. In column 1, enter the average value of property physically located in New York. In column 2, enter the average value of all property wherever located. The average value of tangible personal property rented to a taxpayer is determined by multiplying gross rents payable during the period covered by this return by eight. See line 42 instructions for definition of gross rents.

**Line 45** — Enter the average value of intangible assets owned within New York State and everywhere which are used in connection with interstate or foreign transmission services. Intangible assets include, but are not limited to such items as patents, franchises and copyrights. Average value is the cost of intangible assets without allowance for

depreciation or amortization. It is generally computed on a quarterly basis, but you may use a more frequent basis such as monthly, weekly or daily. However, you must use the same method of valuation with respect to intangible assets within New York State and everywhere. Intangible assets are determined to be within or without New York State by allocating them to the commercial domicile of the taxpayer.

**Line 46** — Enter the average value of extraterrestrial property within New York State and everywhere which is used in connection with interstate or foreign transmission services. Extraterrestrial property refers to property such as communication satellites whether owned, rented or leased. Average value is the cost without allowance for depreciation or amortization or if rented, the gross rental times eight. To determine the average value of extraterrestrial property within New York State multiply the average value of extraterrestrial property everywhere by a percentage determined as follows:

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

**divided by**

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

**Need Help?**

**For forms or publications**, call toll free (from New York State only) 1 800 462-8100. From areas outside New York State, call (518) 438-1073.

**For information**, call the Business Tax Information Center toll free (from the continental U.S. only) 1 800 972-1233. You can also 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 8:30 a.m. to 4:25 p.m., Monday through Friday.**

**Persons with Disabilities** - In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call the information and assistance numbers listed above.

**Hotline for the Hearing and Speech Impaired** - If you have a hearing or speech impairment and have access to a telecommunications device for the deaf (TDD), you can get answers to your New York State tax questions by calling toll-free (within the continental U.S.) 1 800 634-2110. Hours of operation are from 8:30 a.m. to 4:15 p.m., Monday through Friday. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

**If you need to write**, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227.

