



# Instructions for Form IT-230

## Separate Tax on Lump-Sum Distributions

### General Information

If you are a New York State resident, nonresident, part-year resident, estate or trust and you used federal Form 4972 to figure your federal tax on lump-sum distributions, you must use New York State Form IT-230 to figure your New York State separate tax on lump-sum distributions. You must make the same elections on Form IT-230 as you made on federal Form 4972. To make those elections, fill in the same parts of Form IT-230 that you filled in on federal Form 4972.

If you are a city of New York resident or a part-year city of New York resident, figure your New York City separate tax on Form IT-230.

If you are a city of Yonkers resident, figure your city of Yonkers resident tax surcharge on Form IT-201, based on your New York State separate tax on lump-sum distributions. You do not have to figure a separate tax on Form IT-230.

If you and your spouse are filing a joint return and you each received a lump-sum distribution, complete and file a separate Form IT-230 for each spouse and combine the tax shown on each form. Transfer the combined tax from Form IT-230, Part II and/or Part III to the applicable form and line as indicated on Form IT-230.

If you are filing for a trust that shared the distribution only with other trusts, figure the tax on the entire distribution first. The trusts then share the tax in the same proportion that they shared the distribution.

**Multiple recipient of lump-sum distribution** – If you shared a lump-sum distribution from a qualified retirement plan when not all recipients were trusts, fill in the same parts of Form IT-230 that you filled in on federal Form 4972. If you used Part III of Form IT-230, figure your tax on the following worksheet:

|  | New York State | City of New York |
|--|----------------|------------------|
| a Enter the amount from Form IT-230, Part III, line 24 or line 31 (New York City and part-year New York City residents: use both columns) . . . . .  | a              |                  |
| b Enter your percentage of the total distribution . . . . .  | b              |                  |
| c Multiply line a by the amount on line b. Enter the result here and on Form IT-201-ATT, Part III, line 22, Form IT-203-ATT, Part IV, line 26 or Form IT-205, line 12. For New York City and part-year New York City residents, transfer line c, City of New York column, to Form IT-201-ATT, Part IV, line 33, Form IT-203-ATT, Part V, line 39 or Form IT-205, line 21 . . . . . | c              |                  |

**New York State nonresidents** – If lump-sum distributions are attributable to services performed wholly inside New York State, the entire distribution is subject to the New York State separate tax on lump-sum distributions.

If you received a lump-sum distribution attributable to services performed only partly in New York State, you must determine what percentage of your total compensation is New York compensation, using this formula:

$$\frac{\text{New York State compensation}^*}{\text{Total compensation}^{**}} = \text{Percentage of total compensation attributable to New York State}$$

\* Use the amounts of all such compensation included in your New York adjusted gross income (New York State Amount column) for the part of the taxable year immediately prior to retirement and the three taxable years preceding the retirement year.

\*\* Use the total of all such compensation included in your New York adjusted gross income (Federal Amount column) for the part of the taxable year immediately prior to retirement and the three taxable years preceding the retirement year.

The result must be carried to four decimal places. For example, if the amount used in the computation was \$30,000 divided by \$90,000, the result would be .3333 (33.33%).

**Example:** You are a nonresident who performed services partly in New York State as an employee. You retired on July 1, 1995, and used New York State Form IT-230 to report your separate tax on lump-sum distributions. Assuming that the percentages for allocating your salary to New York State were 50% for 1992, 60% for 1993, 75% for 1994, and 40% for 1995, the percentage used to allocate your separate tax on lump-sum distributions is computed as follows:

| Tax year        | Total compensation | New York part    |
|-----------------|--------------------|------------------|
| 1992            | \$ 40,000          | (50%) \$20,000   |
| 1993            | 40,000             | (60%) 24,000     |
| 1994            | 40,000             | (75%) 30,000     |
| 1995 (6 months) | 20,000             | (40%) 8,000      |
|                 | <b>Totals</b>      | <b>\$140,000</b> |
|                 | <b>\$ 82,000</b>   | <b>\$82,000</b>  |

$\frac{\$ 82,000}{\$140,000} = 58.57\%$  (percentage of total compensation attributable to New York State)

Apply the resulting percentage to the amount on Form IT-230, Part II, line 1, or Part III, line 14. If you used Part II, enter the amount allocated to New York State on the *Nonresident and Part-Year Resident Income Percentage Schedule*, line 3; *New York State Amount* column on the back of these instructions. If you used Form IT-230, Part III enter the amount allocated to New York State on the dotted portion of Part III, line 14 and write **Allocated to NYS** next to it. Complete the balance of Form IT-230, Part III using the allocated amount. Enter the result on Form IT-203-ATT, Part IV, line 26, and write **Allocated to NYS** next to it. If you are a nonresident who filled in the multiple recipient worksheet on this page, apply the resulting percentage to line c of the worksheet. Enter the result on Form IT-203-ATT, Part IV, line 26, and write **Allocated to NYS** next to it.

**These calculations must be shown on a schedule that you prepare and mark Lump-Sum Distribution Allocation Schedule. Attach this schedule to the back of your Form IT-230.**

**Part-Year resident** – If you used federal Form 4972, Part II - Enter on Form IT-230, Part II, line 1, the total capital gain part from federal Form 4972, Part II, line 8. Follow the line instructions for Form IT-230, Part II. Be sure to use the *Nonresident and Part-Year Resident Income Percentage Schedule* on the back of these instructions.

**If you used federal Form 4972, Part III** - If you moved into or out of New York State, you are subject to the New York State separate tax on the ordinary income portion of a lump-sum distribution for the period of residence, computed as if the taxable year for federal income tax purposes were limited to the period of residence (from federal Form 4972, Part III, line 10). This would include any lump-sum distribution attributable to a future year that accrued up to the time you changed your residence. Also add the ordinary income portion of a lump-sum distribution that is derived from or connected with New York sources for the nonresident period, computed as if the taxable year for federal income tax purposes were limited to the period for nonresidence (from federal Form 4972, Part III, line 10).

**New York City nonresidents** - A nonresident of New York City is not subject to the city separate tax on lump-sum distributions.

**Officer, employee or beneficiary of an officer or employee of New York State or the United States or political subdivisions thereof** - The following pension income is not subject to the separate tax on lump-sum distributions:

- Any pension income you received from New York State and local governments in the state.
- Any pension income you received from the United States, its territories or possessions, political subdivisions of these territories or possessions, the District of Columbia or any agency or instrumentality of any of the above (including the military).

**Caution** – In the case of the Optional Retirement Program, only that portion of the lump-sum pension payment or return of contributions that is attributable to your employment with the State or City University of New York or New York State Education Department is **exempt** from the separate tax on lump-sum distributions.

The portion of the lump-sum pension payment or return of contributions that was attributable to your employment by a non-New York public employer, such as a private university, and any portion attributable to contributions you made to a supplemental annuity plan that was funded through a salary reduction program is subject to the separate tax on lump-sum distributions.

To satisfy the filing requirement, fill in Form IT-230, Part I, and only line 1 of Part II and line 3 of Part III. These amounts would be the same as those entered on federal Form 4972. Write in Part I: **From New York State or the United States or political subdivision.**

If, in addition to a lump-sum distribution received from New York State or the United States or their political subdivisions, you are reporting a lump-sum distribution from another source on federal Form 4972, include on Form IT-230 only the portion received from the other source.

Attach to Form IT-230 a statement showing the source and amount of each lump-sum distribution you reported on federal Form 4972.

### Nonresident and Part-Year Resident Income Percentage Schedule

All New York State nonresidents and part-year residents, or New York State nonresident estates or trusts and part-year resident trusts who used Form IT-230, Part II, must complete lines 1 through 5 on back to figure the income percentage to enter on Form IT-203, line 44, and on Form IT-203-ATT, Worksheet A, line 6, or Form IT-205-A, Schedule 1, line 12.

**IT-230-I (1995) (back)**

|   | Federal Amount | New York State Amount |
|---|----------------|-----------------------|
| 1 Enter in the <i>Federal Amount</i> column the amount from Form IT-203, line 30, <i>Federal Amount</i> column, or from Form IT-205-A-1, Page 1, <i>NYAGI Worksheet</i> , line 5.<br><br>Enter in the <i>New York State Amount</i> column the amount from Form IT-203, line 30, <i>New York State Amount</i> column, or the amount from Form IT-205-A-1, page 1, <i>New York State Income Percentage Worksheet</i> , line g |                |                       |
| 2 <i>Federal Amount</i> column - Enter the amount from Form IT-230, Part II, line 1. (This should be the same amount as shown on federal Form 4972, Part II, line 8)  |                |                       |
| 3 * <i>New York State Amount</i> column - see instructions below  |                |                       |
| 4 Add lines 1, 2 and 3 and enter result here  |                |                       |
| 5 Income Percentage - Divide line 4, <i>NYS Amount</i> column by line 4, <i>Federal Amount</i> column.<br>( <i>NYS amount, line 4</i> / <i>Fed. amount, line 4</i> )  |                |                       |

To figure your income percentage, divide the amount on line 4 in the *New York State Amount* column by the amount on line 4 in the *Federal Amount* column. Carry the result to four decimal places. If the amount on line 4 in the *New York State Amount* column is more than the amount on line 4 in the *Federal Amount* column, the income percentage will be more than 100%.

Transfer the line 5 amount to Form IT-203, line 44 and to Form IT-203-ATT, *Worksheet A*, line 6, or to Form IT-205-A, Schedule 1, line 12. Write *Income Percentage Schedule, IT-230-I*, in the margin to the right of line 44 on Form IT-203; or, line 12 on Form IT-205-A, Schedule 1.

\* **New York State Amount column - Part-year resident** - Enter the amount of line 2 (federal capital gain part of the lump-sum distribution) that is your New York source income. The New York source income of a part-year resident is the sum of the following, with adjustments for the special accruals defined on page 4 of Form IT-203-1, *Instructions for Form IT-203, Nonresidents and Part-Year Resident Income Tax Return*.

- the amount of line 2 (federal capital gain part of the lump-sum distribution) for the period of residence, computed as if your tax year for federal income tax purposes were limited to the period of residence.
- the amount of line 2 (federal capital gain part of the lump-sum distribution) that was derived from or connected with New York sources for the period that you were a nonresident computed as if the taxable year for federal income tax purposes were limited to the period of nonresidence. Use the instructions below to figure your capital gain part of the lump-sum distribution for the period you were a nonresident.

**Nonresident** - If your lump-sum distribution is attributable to services performed wholly in New York State, enter on line 3 the entire amount from line 2.

If you received a lump-sum distribution attributable to services performed only partly in New York State, you must determine what percentage of your total compensation is New York compensation by using the nonresident or part-year resident allocation explained on the front of these instructions. Apply the resulting percentage to the amount on line 2. Enter the amount allocated to New York State on line 3.

**Line Instructions**

**Part I** - All filers must answer the question in Part I. If you answered *No*, do not complete the rest of Form IT-230.

**Part II** - If you answered *Yes* to the question in Part I, fill in the same parts of Form IT-230 that you filled in on federal Form 4972.

**Death benefit exclusion** - The death benefit exclusion allowed on federal Form 4972 will also be allowed on Form IT-230. However, if the sum of the capital gain and/or ordinary income part of the lump-sum distribution reported for federal purposes includes a lump-sum distribution from a pension plan of a deceased employee of New York State or the United States or their political subdivisions, the exclusion allowable for New York State purposes is determined by multiplying the federal exclusion by a fraction whose numerator is the sum of the capital gain and/or ordinary income part subject to New York State separate tax, and whose denominator is the sum of the capital gain and/or ordinary income part reported for federal purposes.

**Part III**

**Line 15** - Your decimals should be carried to five places and rounded to four places. Drop amounts of 4 and under (.44454 becomes .4445). Round amounts of 5 and over to the next higher number (.44456 becomes .4446).

**5-Year Tax Option - Lines 19 and 22** - Use the *New York State Tax Table* (Single column) in the Form IT-201, IT-203 or IT-205 instructions for this purpose no matter what method you use to figure the tax on your other income and no matter whether you are filing Form IT-205. If you are a New York City resident or a part-year New York City resident, use the *City of New York Tax Table* (Single column) in your Form IT 201 or IT 203 instructions.

**Filling in Lines 24 and 31**

Rectangular boxes have been printed on lines 24 and 31 to guide you in making handwritten entries, so we can use the latest scanning and image processing equipment.

- Print (using a blue or black ballpoint pen; no pencils, please) or type money amounts in the boxes provided.
- Carefully enter your money amounts in the boxes, allowing one numeral for each box. Whole dollar amounts end immediately to the left of the decimal point and cents begin to the right. If you show a loss, place a negative sign in the box immediately to the left of the loss amount. Do not use brackets or parentheses.

*Example:* If your tax on lump-sum distribution using the 5-year tax option for line 24 is \$2,406.18, your money field entry on line 24 should look like this:



**10-Year Tax Option - Lines 26 and 29** - Use the tax rate schedule below to complete Part III, lines 26 and 29 (*New York City residents and part-year New York City residents: use both schedules*).

**Tax Rate Schedules for 10-Year Tax Option**

**New York State Tax Rate Schedule**

If Part III, line 25 or 28 is:

| over   | but not over | enter on Part III, line 26 or 29 in <i>New York State</i> column |       |                         |
|--------|--------------|--|-------|-------------------------|
| \$ 0   | \$ 1,000     | 2% of taxable amount   |       |                         |
| 1,000  | 3,000        | \$20 plus  | 3%    | of excess over \$ 1,000 |
| 3,000  | 5,000        | 80 plus  | 4%    | " " 3,000               |
| 5,000  | 7,000        | 160 plus   | 5%    | " " 5,000               |
| 7,000  | 9,000        | 260 plus   | 6%    | " " 7,000               |
| 9,000  | 11,000       | 380 plus   | 7%    | " " 9,000               |
| 11,000 | 13,500       | 520 plus   | 8%    | " " 11,000              |
| 13,500 | 16,000       | 720 plus   | 9%    | " " 13,500              |
| 16,000 | 18,500       | 945 plus   | 10%   | " " 16,000              |
| 18,500 | 21,000       | 1,195 plus   | 11%   | " " 18,500              |
| 21,000 | 23,500       | 1,470 plus   | 12%   | " " 21,000              |
| 23,500 | 26,000       | 1,770 plus   | 13%   | " " 23,500              |
| 26,000 |              | 2,095 plus   | 13.5% | " " 26,000              |

**City of New York Tax Rate Schedule**

If Part III, line 25 or 28 is:

| over   | but not over | enter on Part III, line 26 or 29 in <i>City of New York</i> column |      |                         |
|--------|--------------|--|------|-------------------------|
| \$ 0   | \$ 1,000     | 0.9% of taxable amount   |      |                         |
| 1,000  | 3,000        | \$ 9 plus  | 1.4% | of excess over \$ 1,000 |
| 3,000  | 5,000        | 37 plus  | 1.8% | " " 3,000               |
| 5,000  | 7,000        | 73 plus  | 2.0% | " " 5,000               |
| 7,000  | 9,000        | 113 plus   | 2.3% | " " 7,000               |
| 9,000  | 11,000       | 159 plus   | 2.5% | " " 9,000               |
| 11,000 | 13,000       | 209 plus   | 2.7% | " " 11,000              |
| 13,000 | 15,000       | 263 plus   | 2.9% | " " 13,000              |
| 15,000 | 17,000       | 321 plus   | 3.1% | " " 15,000              |
| 17,000 | 19,000       | 383 plus   | 3.3% | " " 17,000              |
| 19,000 | 21,000       | 449 plus   | 3.5% | " " 19,000              |
| 21,000 | 23,000       | 519 plus   | 3.8% | " " 21,000              |
| 23,000 | 25,000       | 595 plus   | 4.0% | " " 23,000              |
| 25,000 |              | 675 plus   | 4.3% | " " 25,000              |