



CT-222

New York State Department of Taxation and Finance

Underpayment of Estimated Tax by a Corporation

Tax Law — Articles 9, 9-A, 32 and 33

1996 calendar yr. filers, check box
Other filers enter tax period:

beginning ending

Name Employer identification number File number

Computation of Underpayment

Table with 5 rows for computation of underpayment, including 1996 and 1995 corporation franchise taxes and surcharges.

Table with 4 columns (A, B, C, D) for installment due dates and underpayment calculation.

Exceptions to the Underpayment Penalty

Table with 4 columns for exceptions to the underpayment penalty, including total cumulative amount paid and various exceptions.

Computation of Underpayment Penalty

Table with 4 columns for computation of underpayment penalty, including dates of payment and penalty calculations.

\* For information as to the applicable rate on or after October 1, 1996, see instructions.

## Instructions

Attach this form to either your New York State franchise tax return or MTA surcharge return.

### General Information

All general business corporations (including S corporations), banking, insurance, utilities (including providers of telecommunication services), and transportation and transmission corporations whose franchise tax plus state tax surcharge, (see Tax Law sections 188, 209-A, 1455-A and 1520) for the current tax year, can reasonably be expected to be more than \$1,000 after credits, must file a declaration of estimated franchise tax and state tax surcharge and make quarterly installment payments.

Any corporation doing business in the Metropolitan Commuter Transportation District that is required to make a declaration of estimated franchise tax and state tax surcharge must also make a declaration of estimated metropolitan transportation business tax surcharge (MTA surcharge) and make quarterly installment payments.

If you do not pay the required amounts on time, you may have to pay an underpayment penalty for the period of underpayment.

### Payment of Estimated Tax

First installment - If the franchise tax plus state tax surcharge on your previous year's return or on your request for extension of time for filing that return is more than \$1,000, you must pay 25% of the tax and state tax surcharge with the return or extension.

If you are liable for the MTA surcharge, a 25% first installment is required if your franchise tax plus state tax surcharge is more than \$1,000.

The second, third and fourth installments of estimated franchise tax plus state tax surcharge, and of MTA surcharge, are due on the 15th day of the sixth, ninth and twelfth months of your tax year.

### Computation of Underpayments

Complete lines 1 through 12 to determine any underpayment of estimated taxes.

**Line 1** - To use this form to compute an underpayment of tax plus the state tax surcharge, enter your 1996 tax plus state tax surcharge. To use this form to compute an underpayment of the MTA surcharge, enter your 1996 MTA surcharge.

**Line 2** - Large corporations multiply the amount on line 1 by 100%. All others multiply line 1 by 91%. A large corporation is one that had, or whose predecessor had, allocated entire net income of at least \$1 million for any of the three taxable years immediately preceding the taxable year involved.

**Line 3** - To use this form to compute an underpayment of tax plus the state tax surcharge, enter your 1995 tax plus state tax surcharge. To use this form to compute an underpayment of the MTA surcharge, enter your 1995 MTA surcharge.

**Line 8** - A payment of estimated tax is applied against underpayments of required installments in the order in which the installments are required to be paid.

Example: Calendar-year taxpayer

	First	Second	Third	Fourth
Due date.....	3/15	6/15	9/15	12/15
25% prior year tax and surcharge.....	1,500	--	--	--
Installment amount due...	--	1,000	1,000	1,000
Paid on time/credited.....	<u>1,500</u>	<u>0</u>	<u>500*</u>	<u>1,000**</u>
Underpayment.....	0	1,000	500	0

Penalty is due on \$1,000 from 6/15 to 9/15.

Penalty is due on \$500 from 9/15 to 12/15.

\* Paid \$1,500, \$1,000 applied to 6/15 installment; \$500 applied to 9/15 installment.

\*\* Paid \$1,500, \$500 applied to 9/15 installment; \$1,000 applied to 12/15 installment.

### Exceptions to the Underpayment Penalty

You will not have to pay a penalty if you made all tax payments on time and they equal or exceed the amount that would have been required to be paid by each installment date if the estimated tax were an amount determined under any of the exceptions listed below.

A different exception may be applied to each underpayment. If no exception applies, complete lines 18 through 39 to determine the amount of the penalty.

Exceptions 1 and 2, on lines 14 and 15, **do not** apply to large corporations.

**Exception 1, line 14:** (not to be used by large corporations) This exception allows you to substitute for the current year's estimated tax the tax plus state tax surcharge reported on your 1995 return. You must have filed a franchise tax return showing a tax liability for the preceding tax year, and that year must have consisted of 12 months.

**Exception 2, line 15:** (not to be used by large corporations) This exception applies if the amount you paid is equal to or more than the tax plus state tax surcharge computed by using the current year's rate but based on the facts shown on the prior year's return and the law that applies to the prior year.

**Exception 3, line 16:** This exception applies if the estimated tax you paid was equal to or more than 91% (or 100% for large corporations) of the amount you would owe if your estimated tax were a tax computed on annualized taxable income for the months preceding an installment date.

You may annualize income as follows:

- For the first 3, 4 or 5 months of the taxable year, in the case of the installment required to be paid in the 6th month.
- For the first 6, 7 or 8 months of the taxable year, in the case of the installment required to be paid in the 9th month.
- For the first 9, 10 or 11 months of the taxable year, in the case of the installment required to be paid in the 12th month.

To annualize, multiply taxable income for the period by **12** and divide the result by the number of months in the period (3, 4, 5, 6, 7, 8, 9, 10 or 11, as the case may be).

**Exception 4, line 17:** This exception applies if you have recurring seasonal income. Under this exception, you may annualize income by assuming that income earned in the current year is earned in the same seasonal pattern as in the three preceding tax years.

To avoid underpayment penalties, you must make up a reduction in estimated taxes resulting from using annualized income or seasonal income by increasing the amount of the next installment determined under any other exception method by the amount of such reduction.

For additional information about computing seasonal income, see Article 27, section 1085(d) (4).

### Computation of Underpayment Penalty

If no exception applies, complete lines 18 through 39 to determine the amount of the penalty. The penalty is computed for the period of underpayment at a rate set by Article 27, section 1096(e)(1) of the Tax Law. Daily compounding of interest **does not** apply.

For rates not shown, you may call the numbers listed below.

**Line 39.** In each column enter either the amount from line 38 or (if the installment payment (line 10) equals 80% or more of line 1 divided by four) multiply the penalty shown in the corresponding column of line 38 by 75% and enter this amount.

**For rates not shown or for information,** call the Business Tax Information Center at 1 800 972-1233. This call is toll free from anywhere in the U.S. and Canada. From areas outside the U.S. and Canada, call (518) 485-6800.

**Telephone assistance is available from 8:30 a.m. to 4:25 p.m., Monday through Friday.**