New York State Department of Taxation and Finance

Instructions for Form IT-230
Separate Tax on Lump-Sum Distributions

IT-230-I

Law Change: Section 114 of Title 4 of the U.S. Code creates a limitation on state income taxation of certain pension income. The new law is effective for pension income received in 1996 or thereafter and prohibits states from taxing certain retirement income of a nonresident including lump-sum distributions from a qualified retirement plan.

General Information

If you were a New York State resident or part-year resident individual, resident estate, or resident or part-year resident trust and you used federal Form 4972, *Tax on Lump-Sum Distributions from Qualified Retirement Plans* 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. Follow the instructions for Part II and Part III on back.

If you were a New York State nonresident or part-year resident individual, nonresident estate or trust, or part-year resident trust and you received (or accrued) a lump-sum distribution from a qualified retirement plan in your period of nonresidence, the income is **not** taxable to New York State and therefore, not subject to the New York State separate tax on lump-sum distributions (see *Law Change* above). However, if you filed federal Form 4972 and used Part II because you chose the 20% capital gain election, you must complete Part II, line 1 of Form IT-230 and the *Nonresident and Part-Year Resident Income Percentage Schedule* on the back of these instructions to figure the income percentage to enter on Form IT-203, IT-203-ATT or IT-205-A. Follow the line instructions for Part II on back.

If you were 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. New York City nonresidents are not subject to the **city** separate tax on lump-sum distributions.

If you were 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 were New York State residents or part-year residents and 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 New York State resident or part-year resident 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, line 26, Form IT-203-ATT, 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, line 37, Form IT-203-ATT, line 41 or Form IT-205, line 21	c		

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 received by a resident or part-year resident 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.

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. If you answered *Yes*, complete Form IT-230, using federal Form 4972 and the Part II and Part III instructions below.

Part II – 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 6. Compute, and enter on line 2, the tax on the line 1 amount.

Part-year resident – If you received (or accrued) a lump-sum distribution in your period of residence and 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 6. Compute, and enter on line 2, the tax on the line 1 amount.

If you received (or accrued) a lump-sum distribution in your period of nonresidence and you used federal Form 4972, Part II, enter on Form IT-230, Part II, line 1 only (do not compute a tax at line 2), the total capital gain part from federal Form 4972, Part II, line 6 and complete the *Nonresident and Part-year Resident Income Percentage Schedule below.*

Nonresident – If you filed federal Form 4972 and used Part II because you chose the 20% capital gain election, you must complete Form IT-230, Part II, line 1 only (do not compute a tax at line 2) and the *Nonresident and Part-year Resident Income Percentage Schedule* below to figure the income percentage to enter on Form IT-203, line 43, and on line f of *Worksheet A* on the back of Form IT-203-ATT, or IT-205-A, Schedule 1, line 12.

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.

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 to figure the income percentage to enter on Form IT-203, line 43, and on Form IT-203-ATT, *Worksheet A,* line f, or Form IT-205-A, Schedule 1, line 12.

		Federal Amount	New York State Amount
1 Enter in the *Federal Amount* column the amount from Form IT-203, line 30, *Federal Amount* column, or from Form IT-205-A-I, Page 1, *NYAGI Worksheet,* line 5. Enter in the *New York State Amount* column the amount from Form IT-203, line 30, *New York State Amount* column, or the amount from Form IT-205-A-I, page 1, *New York State Income Percentage Worksheet,* line g	1		
2 *Federal Amount* 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 6).	2		
3 **New York State Amount* column - see instructions below	3		
4 Add lines 1, 2 and 3 and enter result here	4		
5 Income Percentage - Divide line 4, *NYS Amount* column by line 4, *Federal Amount* column. (NYS amount, line 4 / Fed. amount, line 4) *(see instructions below)*	5		

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 43 and to Form IT-203-ATT, *Worksheet A, line f,* 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 43 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) for the period of residence, computed as if your tax year for federal income tax purposes were limited to the period of residence including any special accruals defined on page 4 of Form IT-203-I, *Instructions for Form IT-203, Nonresidents and Part-Year Resident Income Tax Return.*

Nonresident – Do not enter any amount on line 3. This income is not taxable to a nonresident (see *Law Change* on the front page).

Part III

Lines 3 - 14 – If you used federal Form 4972, Part III and 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 8). This would include any lump-sum distribution attributable to a future year that accrued up to the time you changed your residence.

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:

▶ 24 | | | | 2 4 0 6 . 1 8

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 *New York State* 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 *City of New York* 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