New York State Department of Taxation and Finance

Instructions for Form IT-217
Claim for Farmers' School Tax Credit

IT-217-I

Introduction

For tax years 1997 and thereafter, an individual, estate or trust engaged in the business of farming may be entitled to an income tax credit for the amount of eligible school district property taxes paid on qualified agricultural property. In addition, if a partnership (including a limited liability company treated as a partnership), a New York S corporation, or estate or trust is engaged in the business of farming or owns qualified agricultural property, an individual, estate or trust which is a member or shareholder of the entity may be entitled to the credit. If the credit exceeds the taxpayer's tax for the year, the excess credit will be refunded, without interest. For more information concerning this credit, you may request a copy of Publication 51, *Questions and Answers on New York State's Farmers' School Tax Credit*.

General Information

Purpose of Form

Form IT-217 is used to determine if you are eligible to claim the farmers' school tax credit and to determine the amount of the credit. If you are engaged in the business of farming (see below), complete Part I of Form IT-217 to determine if you are eligible to claim the farmers' school tax credit.

You are **engaged in the business of farming** if you cultivate, operate or manage a farm for gain or profit, even though the operation may not produce a profit every year.

You are also engaged in the business of farming if you are a partner in a partnership, a shareholder in a New York S corporation or the beneficiary of an estate of trust that operates or manages a farm for gain or profit.

Farming includes the operation or management of livestock, dairy, poultry, fish, fruit, fur-bearing animal, and vegetable (commonly referred to as truck) farms. Farming also includes the operation or management of plantations, ranches, ranges and orchards. For example, farming includes, but is not limited to, the raising or production of the following commodities:

– field crops, including corn, wheat, oats, rye, barley, hay, potatoes and dry beans
– fruits, including apples, peaches, grapes, cherries and berries
– vegetables, whether raised conventionally or hydroponically, including tomatoes, snap beans, cabbage, carrots, beets and onions
– horticultural specialties, including nursery stock, ornamental shrubs and ornamental trees and flowers
– livestock and livestock products, including cattle, sheep, hogs, goats, horses, poultry, farmed deer, farmed buffalo, ostrich, emus, fur-bearing animals, milk, and eggs
– aquaculture products, including fish, fish products, water plants and shellfish (provided the aquaculture products are grown and raised as opposed to merely being harvested or caught)
– honey and beeswax produced from your own bees.
– maple syrup and apple cider, provided the income from these operations is properly includable on federal Schedule F, *Profit or Loss From Farming.*

You are also engaged in the business of farming if you rent your farm property to another person who uses the property in agricultural production and the rental arrangement meets one of the following conditions:

– The amount of the rental is a crop share (shared rental agreement); that is, the amount of rent is based upon the actual production of the land, whether paid to you in cash or in kind, **or**
– You have an arrangement with your tenant for your participation in the farm business and you meet **one** of the following four tests:

Test 1 - You do **any** three of the following: (1) pay or stand good for at least half of the direct costs of producing the crop; (2) furnish at least half of the tools, equipment and livestock used in producing the crop; (3) consult with your tenant; and (4) inspect the production activities periodically.

Test 2 - You regularly and frequently make, or take an important part in making, management decisions substantially contributing to or affecting the success of the enterprise.

Test 3 - You work 100 hours or more spread over a period of 5 weeks or more in activities connected with crop production.

Test 4 - You do things which, considered in their total effect, show that you are materially and significantly involved in the production of farm commodities.

You are not engaged in the business of farming if your principal source of income is from providing agricultural services, such as soil preparation, veterinary services or farm labor. In addition, you are not engaged in farming if you manage or operate a farm for a salary or fee. Furthermore, if you are cultivating or operating a farm for recreation or leisure (e.g., a hobby farm), you are not engaged in the business of farming. Also, forestry and logging, including the growing of Christmas trees, is not farming unless the products are used in the operation of a farm or are connected with an otherwise qualifying farm operation as described above (i.e., the income from these operations is properly reportable on federal Schedule F).

How to Claim the Credit

File Form IT-217 if you are an individual or the fiduciary of an estate or trust and you qualify for the farmers' school tax credit.

A partnership or New York S corporation does not file Form IT-217. However, a partnership or S corporation must inform its partners or shareholders of their share of the qualified agricultural property and eligible taxes.

How to File Your Claim Form

In order to claim the farmers' school tax credit you must file or have filed a New York State return for 1997. If you are filing this claim with your return, transfer the amount on line 19 to the appropriate line on Form IT-201, Form IT-203, or Form IT-205, and attach the form to your return. If you have previously filed your 1997 return, send your completed Form IT-217 to:

State Processing Center
PO Box 61000
Albany NY 12261-0001

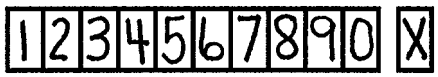
Filling in Your Claim Form

The front of Form IT-217 for 1997 has been designed to let us use the latest scanning and image-processing equipment. Rectangular boxes have been printed on the form to guide you in making your handwritten entries. This will enable our scanning equipment to read your claim more accurately and let us process it more efficiently. Please spend a moment reviewing the method below for making your entries:

— Please print (using a blue or black ballpoint pen; no pencils, please) or type all "X" marks, money amounts, and acreage amounts in the boxes or spaces provided.

— Do not use dollar signs, commas, decimal points, dashes or any other punctuation marks or symbols.

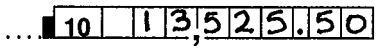
— Write your numerals like this:



Carefully enter your money amounts so that the whole **dollar amount** ends in the box immediately to the **left** of the cents decimal and the **cents amount** starts in the box immediately to the **right** of the cents decimal.

— Make your money amount entries in the boxes allowing one numeral for each area.

Example: If your entry for line 10 is $13,525.50, your money field entry should look like:



— Leave blank any spaces and boxes that do not apply to you. However, treat these lines as zero.

Line Instructions

Individuals: Complete Parts I and II.
Partners, S Corporation Shareholders and Beneficiaries of Estates and Trusts: Complete Parts I, II, III and IV.
Fiduciaries: Complete Parts I, II, III, IV, and V. **Note:** If you are the fiduciary of an estate or trust that distributes **all** its income to its beneficiaries, complete only Part I, items A, B, and F, and Parts III, IV, and V.

Caution: If you are married, your eligibility for the credit (see Part I, items C and D) and the amount of the credit (see Part II, line 15) may depend on whether you file a joint or separate New York return. However, in order to file separate New York returns, you generally must file separate federal returns. Since many federal and state tax benefits are eliminated or reduced when separate returns are filed, you may want to figure your federal and state taxes both ways to determine the most beneficial way to file.

Part I - Eligibility

This part is used to determine if you are eligible to claim the farmers' school tax credit.

Item A - If you owned qualified agricultural property during 1997, or were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that owned qualified agricultural property during 1997, check the *Yes* box.

Qualified agricultural property includes land and land improvements located in New York State that are used in agricultural production. It also includes structures and buildings (except for buildings used by the taxpayer for residential purposes) that are located on the land and used or occupied to carry out agricultural production.

Agricultural production means those activities discussed under *engaged in the business of farming* on the front page.

Land used in agricultural production includes land under structures or buildings which are qualified agricultural property, and land in support of a farm operation, such as farm ponds, drainage swamps, wetlands and access roads.

A structure or building qualifies if it is used (1) in the raising and production for sale of agricultural or horticultural commodities, or (2) for the storage of agricultural commodities for sale at a future time, or (3) for the storage of supplies or for the storage or servicing of equipment necessary for agricultural or horticultural production.

A structure or building is not qualified agricultural property if it is used for (1) the processing of agricultural commodities, or (2) the retail merchandising of agricultural commodities, or (3) the storage of commodities for the personal consumption of you or your family, or (4) your residence or the residence of your immediate family.

Processing means doing something to a farm commodity beyond what is needed to make it initially marketable. The mere sorting, washing, and packaging of fruits and vegetables is not considered processing.

Your residence includes a house, mobile home, etc., and any other buildings associated with it, such as garages or sheds, that is used by you or your immediate family for residential purposes.

Item B - If you paid eligible school district property taxes on qualified agricultural property during 1997, or you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that paid eligible school district property taxes on qualified property during 1997, check the *Yes* box.

Eligible school district property taxes are real property taxes levied by a school district on qualified agricultural property **owned** by you. Real property taxes levied by towns, villages, cities or other municipal governments are not eligible taxes. Eligible taxes include taxes paid on qualified agricultural property which you own but rent to someone else. However, eligible taxes do not include taxes paid on qualified agricultural property that you rent from someone else, even if the rental agreement provides that you must actually pay the taxes.

Real property taxes levied by a school district include all property taxes, special ad valorem levies and special assessments levied by a school district. Also included are taxes levied by a school district for the support of local libraries. Penalties and interest are not included.

If you were a partner in a partnership, a shareholder of a New York S corporation, or the beneficiary of an estate or trust that owned qualified agricultural property during 1997, eligible taxes includes your pro rata or distributive share of the taxes paid by the partnership, S corporation or estate or trust for the year.

If you own both qualified agricultural property and nonqualified property, and you receive only one school tax bill for all the property, you must apportion the total school taxes paid between the qualified and nonqualified property based upon the value of the properties. Your local assessor may be able to tell you the value of your qualified and nonqualified property. If your assessor is unable to provide this information, you may use any other reasonable method, such as basing the value on the recent sale price of similar property in your area, to determine the value. In either case, you should keep records to substantiate how you allocated the taxes.

Item C - In order to qualify for this credit, the amount shown on Form IT-201 or Form IT-203, line 31, or Form IT-205, line B must be $150,000 or less.

Item D - Complete Worksheet A or B on page 4, whichever is applicable.

Item E - If you and one or more related persons each owned qualified agricultural property on March 1, 1997, check the box on Item E. Also, be sure to read the instructions for Part II, line 5.

A **related person** includes your spouse (unless you are filing a joint return), and any "C" corporation (a corporation that is not a New York S corporation) of which you, and your spouse if filing a joint return, collectively own more than 50% of the stock. A related person also includes any estate or trust in which you, and your spouse if filing a joint return, collectively own more than 50% of the beneficial interest.

Example: You owned qualified agricultural property individually on March 1, 1997. You also are a 75% shareholder in a "C" corporation that owned qualified agricultural property on March 1, 1997. You and the corporation are related persons.

The following are also examples of related persons:

- If an estate or trust (or the grantor of the trust) owns more than 50% of a C corporation, or the corporation owns more than 50% of the estate or trust, the estate or trust and the corporation are related persons.
- If an estate or trust (or grantor of the trust) owns more than 50% of another estate or trust, the first estate or trust and the second estate or trust are related persons.
- If the same person owns more than 50% of a C corporation and more than 50% of an estate or trust, the corporation and the estate or trust are related persons.
- If the same person owns more than 50% of more than one estate or trust, the estates and trusts are related persons.

Item F - You cannot claim the farmers' school tax credit for qualified agricultural property which is converted to nonqualified use during the tax year.

Conversion to nonqualified use means an outward or affirmative act changing the use of agricultural land. The idling, nonuse or sale of the land is not by itself a conversion.

Example 1: You sell 100 acres of land to a developer in 1997. The developer actually builds a housing development on the land during 1997, and as a result the land is no longer used in agricultural production. This is a conversion to nonqualified use.

Example 2: You discontinue farming during 1997, but continue to hold the farm property for investment purposes. This is not a conversion to nonqualified use.

Example 3: You sell qualified agricultural property to another person who continues to use the property in agricultural production. This is not a conversion to nonqualified use.

If all of your qualified agricultural property is converted to nonqualified use during the tax year, do not complete this form. You cannot claim the farmers' school tax credit. If only part of your qualified agricultural property is converted to nonqualified use during the tax year, you can claim credit for the part of the property which is not converted.

Part II - Computation of Credit

Line 1 - Enter the total **acres** of qualified agricultural property owned by you (and your spouse if filing a joint return) during 1997. Be sure to include the number of acres under buildings or structures that are qualified agricultural property.

For filing status ③, *Married filing separate return*, enter only the total acres of qualified property owned by you during 1997. If you and your spouse owned the qualified agricultural property jointly (such as joint tenants or tenants in common), each spouse can claim only one-half of the acreage amount unless you both agree to split the acreage in a different manner. If you both agree, you may split the acreage in any manner you wish.

If you checked the box at item F, do not include on line 1 the acres of property converted to nonqualified use.

Line 5 - If you did not check box E in Part I, enter 100 on line 5. If you did check box E in Part I, you must allocate the 100 base acres among yourself and the other related parties. The base acres must be divided equally between the parties unless you all agree to a different division. If you all agree, you may divide the base acres in any manner you wish. If you elect an unequal division, you must attach a statement to Form IT-217, setting forth the following information:

– the name, address and taxpayer identification number of the related person(s) and
– the amount of base acreage allocated to you and the related person(s).

The statement must be signed by you, and by the related person(s) or by any person who is duly authorized to act on behalf of the related person(s).

Line 10 - Enter the eligible school taxes paid by you (and your spouse if filing a joint return) in 1997.

For filing status ③, *Married filing separate return*, enter only the eligible taxes paid on qualified agricultural property owned by you. If you and your spouse owned the qualified agricultural property jointly, you must divide the eligible taxes in the same manner as you divided the acres of qualified property (see the instructions for line 1).

If you checked the box at item F, do not include on line 10 the school taxes paid during the year on property that was converted to nonqualified use.

If you continue to own the property after the conversion to nonqualified use, and the converted property is included as part of your total tax bill, you may allocate the total taxes to the converted property on the basis of the amount of acreage converted to the total acreage covered by the tax bill.

If the converted property is sold, the closing documents will show the amount of school taxes reimbursed to you by the buyer. You must reduce your current year's eligible school taxes by the amount of these reimbursed taxes in determining the credit.

Line 15 - If line 15 is more than $100,000, your credit is limited.

Part III - Partnership, S Corporation and Estate or Trust Information

Enter the appropriate information for each partnership, S corporation or estate or trust that owned qualified agricultural property. If you need more space, attach a separate schedule.

Part IV - Partner's, Shareholder's or Beneficiary's Share of Qualified Agricultural Property and Eligible Taxes

Enter your share of the acres of qualified agricultural property and eligible taxes from a partnership, New York S corporation or estate or trust on the appropriate lines in Part IV. Obtain your share of acres of qualified property and eligible taxes from the partnership, corporation, or estate or trust. If you belong to more than one partnership, New York S corporation or estate or trust, enter the total of all your shares on the appropriate line.

Part V - Beneficiary's and Fiduciary's Share of Acres of Qualified Property and Eligible Taxes

An estate or trust must complete Part V. Include in the total line both (1) the acres of qualified property owned by the estate or trust and the eligible taxes paid by the estate or trust, and (2) the estate's or trust's share of each item from Part IV, line 7. If you checked the box at item F, do not include the acres of property converted or the taxes paid on that property. The total acres of qualified agricultural property and total eligible taxes are allocated between the estate or trust and its beneficiaries on the same basis as the income of the estate or trust is allocated.

Worksheet A (to be completed by Form IT-201 and IT-203 filers; keep for your records.)

1	Add the income (not loss) amounts on federal Form 1040, lines 7, 8a, 9, 10, 11, 15b, 16b, 19, 20b, and 21 *(see instructions)*	**1**	
2	Enter the income (not loss) from federal Schedule C, line 7	**2**	
3	Enter the amount from federal Schedule C-EZ, line 1	**3**	
4	Add the gain (not loss) amounts on federal Schedule D, column (f), lines 1, 2, 4, 8, 9, 11, and 13 *(see instructions)*	**4**	
5	Add the amounts on federal Schedule E, lines 3, 4, 36, and 38)	**5**	
6	Enter the income (not loss) from federal Schedule F, line 11	**6**	
7	Add the gain (not loss) amounts on federal Form 4797, column (g), lines 2-6, 10, and 13-17 *(see instructions)*	**7**	
8	Enter amount from federal Form 4835, line 7	**8**	
9	Add the amounts on federal Schedule K-1 (Form 1065), lines 15b and 15c *(less any partnership items included in lines 1-7)*	**9**	
10	Enter your share of S corporation gross income *(see instructions)*	**10**	
11	Add lines 1 through 10	**11**	
12	Enter the amount from line 6 above	**12**	
13	Enter the amount from federal Schedule E, line 41 *(see instructions)*	**13**	
14	Add the amounts on federal Form 4797, column g, that represent gains from the sale of livestock used for draft, breeding, sport or dairy purposes *(see instructions)*	**14**	
15	Add lines 12 through 14	**15**	
16	Enter amount from line 11 above	**16**	
17	Divide line 15 by line 16 and carry the result to four decimal places	**17**	

Instructions for Worksheet A

If federal Form 1040, line 21, includes both income and loss items, include only the income amounts on line 1. For example, on federal Form 1040, line 21, you report gambling winnings of $2,000 and a net operating loss carryover of ($3,000), for a net amount of ($1,000). In computing the amount on line 1 of the worksheet, include only the gambling winnings of $2,000.

Line 4 - Include on line 4 only gains used in figuring the amounts reported in column (f) of Schedule D. Loss transactions cannot be netted against gain transactions. For example, on Schedule D-1, column (f), you include a gain of $200 for one transaction and a loss of $300 for another transaction, for a net loss of $100 which you include on Schedule D, line 2, column (f). Include on line 4 only the gain of $200. However, do not include on line 4 any gain from federal Form 4797 reported on line 11, column (f) of Schedule D.

Line 7 - Include on line 7 only gains used in figuring the amounts entered in column (g) of Form 4797. Loss transactions cannot be netted against gain transactions.

Line 10 - Obtain your share of S corporation gross income from the S corporation. Do not include on line 10 any S corporation income included in lines 1-7.

Line 13 - Do not include on line 13 gross income from fishing included in federal Schedule E, line 41.

Line 14 - Include in line 14 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery) even though these gains may be related to your farming business.

Worksheet B (to be completed by Form IT-205 filers; keep for your records.)

1	Add the income (not loss) amounts on federal Form 1041, lines 1, 2, and 8	**1**	
2	Enter the income (not loss) from federal Schedule C, line 7	**2**	
3	Enter the amount from federal Schedule C-EZ, line 1	**3**	
4	Add the gain (not loss) amounts on federal Schedule D (Form 1041), lines 1, 2, 6, 7, and 9 *(see instructions)*	**4**	
5	Add the amounts on federal Schedule E, lines 3, 4, 36, and 38)	**5**	
6	Enter the income (not loss) amount on federal Schedule F, line 11	**6**	
7	Add the gain (not loss) amounts on federal Form 4797, column g, lines 2-6, 10 and 13-17 *(see instructions)*	**7**	
8	Enter amount from federal Form 4835, line 7	**8**	
9	Add the amounts on federal Schedule K-1 (Form 1065), lines 15b and 15c *(less any partnership items included in lines 1-7)*	**9**	
10	Enter the estate's or trust's share of S corporation gross income *(see instructions)*	**10**	
11	Add lines 1 through 10	**11**	
12	Enter the amount from line 6 above	**12**	
13	Enter the amount from federal Schedule E, line 41 *(see instructions)*	**13**	
14	Add the amounts on federal Form 4797, column g, that represent gains from the sale of livestock used for draft, breeding, sport or dairy purposes *(see instructions)*	**14**	
15	Add lines 12 through 14	**15**	
16	Enter amount from line 11 above	**16**	
17	Divide line 15 by line 16 and carry the result to four decimal places	**17**	

Instructions for Worksheet B

Line 4 - Include on line 4 only gains used in figuring the amounts reported in column (f) of Schedule D. Loss transactions cannot be netted against gain transactions.

Line 7 - Include on line 7 only gains used in figuring the amounts entered in column (g) of Form 4797. Loss transactions cannot be netted against gain transactions.

Line 10 - Obtain your share of S corporation gross income from the S corporation. Do not include on line 10 any S corporation items included in lines 1-7.

Line 13 - Do not include on line 13 any gross income from fishing included in federal Schedule E, line 41.

Line 14 - Include in line 14 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.