New York State Department of Taxation and Finance
Disability Income Exclusion
New York State • City of New York • City of Yonkers

Name(s) as shown on your return
Social security number

For limits on exclusion, see instructions on back.

Date you retired (if after December 31, 1976). Also enter this date in the space provided on the Physician’s Statement below.

Employer’s name
(also give payer’s name, if other than employer)

Yourself

Date of retirement

Spouse

Date of retirement

Which column(s) to fill in — Use Column A to enter your disability income amounts. If you are married and your spouse also received disability income, enter your spouse’s amounts in Column B. If you checked filing status ➂, Married filing separate return, see instructions on back.

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Excludable Disability Pay (see instructions):</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

Limit on Exclusion (see instructions):

| 7        | 15,000   |
| 8        |          |
| 9        |          |
| 10       |          |
| 11       |          |

Statement of Permanent and Total Disability

If you filed a physician’s statement for this disability for 1984, or you filed a statement for tax years after 1984 and your physician checked Box B on the statement, and due to your continued disabled condition you were unable to engage in any substantial gainful activity in 1997, check this box.

Physician’s name
Physician’s address

Instructions for statement

Taxpayer:

Enter in the space provided the date you retired if after December 31, 1976.

Physician:

A person is permanently and totally disabled when he or she cannot engage in any substantial gainful activity because of a physical or mental condition, and a physician determines that the disability:

– has lasted or can be expected to last continuously for at least a year; or
– can be expected to lead to death.

IT-221 1997
Use of Form IT-221

Form IT-221 is used to determine any amount of disability income that could have been excluded from federal adjusted gross income based on section 105(d) of the Internal Revenue Code as it was in effect before January 1, 1984. However, the total of the disability income exclusion and pension and annuity income exclusion cannot exceed $20,000. (If married, the total of each spouse's disability income exclusion and pension and annuity income exclusion cannot exceed $20,000.)

Who Can Exclude Disability Income

If you file a New York State resident or nonresident and part-year resident income tax return, you may use this form to exclude all or part of your disability pay if you meet all of the following tests:

— You received disability pay.
— You were not yet 65 when your tax year ended.
— You retired on disability and were permanently and totally disabled when you retired. (See What is Permanent and Total Disability below. Also see Physician's Statement of Permanent and Total Disability below.)
— On January 1, 1997, you had not yet reached the age when your employer's retirement program would have required you to retire.
— If you are married at the end of 1997 and checked filing status 3, Married filing separate return, you can claim the disability income exclusion only if you and your spouse lived apart during the entire taxable year. If this is the case, write on the spouse's line on page 1: I did not live with my spouse during any part of the tax year.

If you meet these tests, you can take the exclusion until the earlier of (1) the first day of the tax year in which you turn 65, or (2) the date you reach the age when your employer's retirement program would have required you to retire.

Instructions

Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. Therefore, these facts do not by themselves establish John's ability to engage in substantial gainful activity.

Specific Instructions

Excludable Disability Pay

Lines 2 and 3 — You can exclude either your actual weekly disability pay or $100 a week, whichever is less. This table shows how to figure your weekly disability pay.

<table>
<thead>
<tr>
<th>Your weekly pay is the following part of what you receive each pay period</th>
<th>Pay Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>All</td>
</tr>
<tr>
<td>Every 2 weeks.</td>
<td>Half</td>
</tr>
<tr>
<td>Twice a month</td>
<td></td>
</tr>
<tr>
<td>Each month</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

Line 4 — If you received disability pay for part of a week, follow the steps below.

Step 1. Divide $100 by the number of days a week you normally worked before you retired.
Step 2. Divide the disability pay you got by the number of days it covered in that week.
Step 3. Compare the Step 1 and Step 2 amounts. The smaller amount is your daily rate. Your exclusion for the week is based on it.
Step 4. Multiply your daily rate by the number of days you received disability pay in the short week. The result is your exclusion for that week.
Step 5. Add your exclusion for that week to your exclusion for any other short weeks. Enter the total on line 4.

Disability payments are made for part of a week when one of the following happens after the first day of the taxpayer's normal workweek:

(1) the disability retirement begins;
(2) the disability retirement ends because the taxpayer reaches required retirement age; or
(3) the taxpayer dies.

Limit on Exclusion — Generally, the most a person can exclude is $5,200. This exclusion goes down, dollar for dollar, by any amount over $15,000 on line 7. That line shows your federal adjusted gross income.

Generally, no exclusion is left if line 7 is:
— $20,200 or more, and one person could take the exclusion; or
— $25,400 or more, and both husband and wife could take the exclusion.

Line 11 — Enter the amount from line 10 in Column A. This is your disability income exclusion. The total of your disability income exclusion and any pension and annuity income exclusion you claim cannot exceed $20,000. If married, the total of each spouse's disability income exclusion and pension and annuity income exclusion cannot exceed $20,000. You cannot claim any unused part of your spouse's exclusion.

If both spouses received disability pay, the amount you entered on line 10 must be prorated based on the amount of excludable disability pay received by each spouse (line 5) and entered on line 11 in the appropriate column.

Example (5): You received disability income of $6,000 and your spouse received disability income of $4,000. The amount you entered on line 10 is $6,000. The amount each spouse must enter in the appropriate column on line 11 is figured as follows:

<table>
<thead>
<tr>
<th>You:</th>
<th>Your spouse:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>$6,000 × 6,000 = $36,000</td>
<td>$4,000 × 6,000 = $24,000</td>
</tr>
<tr>
<td>$10,000</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

Physician's Statement of Permanent and Total Disability

If the physician's statement at the bottom of Form IT-221 must be completed, please detach it from the form and have your physician complete it. Be sure to attach the completed statement to Form IT-221 and file it with your tax return.

If both spouses take the exclusion, a physician's statement must be completed for each spouse.

If you retired on disability before January 1, 1977, the physician's statement must show that you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

If you retired on disability after 1976, the physician's statement must show that you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

If you retired on disability before January 1, 1977, the physician's statement must show that you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

If you retired on disability after 1976, the physician's statement must show that you were permanently and totally disabled on January 1, 1976, or January 1, 1977.