New York State Department of Taxation and Finance

Instructions for Form CT-32-A and CT-32-A/B
Banking Corporation Combined Franchise Tax Return And Combined Group Detail Spreadsheet

Tax Law — Article 32

CT-32-A-I

New Filing Requirements

For tax years beginning in and after 1996, Form CT-32-A, *Banking Corporation Combined Franchise Tax Return*, and the filing requirements for combined groups have changed. Prior to 1996, each member of a combined group was required to file an individual Form CT-32. The filing of individual returns on Form CT-32 is no longer required. For the purposes of this form, one member of the combined group is designated the parent, whether or not it is the actual parent corporation, and must file Form CT-32-A. Each member of the combined group, except the parent, must file its individual certification on Form CT-32-A/C, *Report By a Banking Corporation Included in a Combined Franchise Tax Return*.

The combined group is also required to file Form CT-32-A/B, *Combined Group Detail Spreadsheet*, which is a breakdown schedule of all the individual member information. See *Other Forms Required* on this page.

Do not use Forms CT-32-A, CT-32-A/B or CT-32-A/C for tax periods beginning prior to January 1, 1996. You may obtain prior tax period forms by calling toll free 1 800 462-8100. From areas outside the U.S. and outside Canada, call (518) 485-6800.

The parent corporation and each corporation in the combined group are jointly responsible for the completion and filing of Forms CT-32-A, CT-32-A/B, and CT-32-A/C, and any other federal or state attachments that may be required.

The combined tax is computed on Form CT-32-A. If the combined group includes more than two corporations, report the entire net income, alternative entire net income, taxable assets and allocation percentages of the additional members of the group on Form CT-32-A/B. Use additional CT-32-A/B forms as required.

Column D of Schedules B, C, D, and E of Form CT-32-A is used to compute intercorporate eliminations. See the instructions on page 5 for more information relating to intercorporate transactions.

Do not complete the shaded areas on Forms CT-32-A and CT-32-A/B.

Other Forms Required

Form CT-32-A/B, *Combined Group Detail Spreadsheet*, is a breakdown form on which all the individual member information is included. The lines on this form are identical to the lines on Form CT-32-A. Therefore separate line instructions are not needed.

Form CT-32-A/C, *Report by a Banking Corporation Included in a Combined Franchise Tax Return*, is an individual form that must be filed by each member of the New York State combined group, except the parent corporation and any non-taxpayer included in the group.

Forms CT-32-A/B and CT-32-A/C should be attached to the parent corporation's Form CT-32-A.

Combined Filer Statement

If you are filing Form CT-32-A for the first time and are part of a newly formed group, you must also include Form CT-51, *Combined Filer Statement for Newly Formed Groups Only*, when you file your return.

For existing groups, Form CT-50, *Combined Filer Statement*, will be sent to you for verification. Review and make any appropriate changes on the form, and return it with your franchise tax return.

General Information

Each banking corporation or bank holding company is generally a separate taxable entity and must file its own tax return. However, a group of banking corporations and bank holding companies may be permitted or required to file a combined return to properly reflect the tax liability of these corporations under Article 32 of the Tax Law.

If a banking corporation or bank holding company has been required or permitted to file a combined return, the corporation must continue to file a combined return until the facts affecting its combined reporting status materially change.

Who May File Form CT-32-A

Corporations that may be permitted or required to file or to be included in a combined return

A banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity may be permitted or required to file or to be included in a combined return with the following:

— any banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity that owns or controls, directly or indirectly, 65% or more of its voting stock, and

— any banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

A banking corporation or bank holding company **not** exercising its corporate franchise or doing business in New York State in a corporate or organized capacity may be permitted or required to file or be included in a combined return with the following:

— any banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity that owns or controls, directly or indirectly, 65% or more of its voting stock, and

— any banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

The Commissioner of Taxation and Finance may permit or require the filing of a combined return by banking corporations or bank holding companies when 65% or more of the voting stock of each is owned or controlled, directly or indirectly, by the same interest, and at least one of the corporations is exercising its corporate franchise or doing business in New York State in a corporate or organized capacity.

A banking corporation or bank holding company that meets the 65% or more stock ownership requirements may be permitted or required to file or to be included in a combined return only if the Commissioner of Taxation and Finance determines that such filing is necessary to properly reflect the tax liability of such corporation or other corporations. In making the determination whether a combined return is necessary to properly reflect the tax liability of any one or more of the corporations, the Commissioner of Taxation and Finance will first determine whether the group of corporations under consideration is engaged in a unitary business. A corporation

engaged in a unitary business with one or more of the corporations in the group may be permitted or required to file a combined return if the Commissioner of Taxation and Finance determines that:

— the corporation has intercorporate transactions with one or more of the corporations in the group that cause the improper reflection of the activity, business, income or assets within New York State of one or more of the corporations, or

— the corporation has an agreement, understanding, arrangement or transactions with one or more of the corporations in the group that cause the improper reflection of the activity, business, income or assets within New York State of one or more of the corporations.

Corporations required to file or to be included in a combined return

A banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity is **required** to file or to be included in a combined return with the following:

— any banking corporation or bank holding company, exercising its corporate franchise or doing business in New York State in a corporate or organized capacity, that owns or controls, directly or indirectly, 80% or more of the voting stock, and

— any banking corporation or bank holding company that is exercising its corporate franchise or doing business in New York State in a corporate or organized capacity in which it owns or controls, directly or indirectly, 80% or more of the voting stock.

However, a banking corporation or bank holding company exercising its corporate franchise or doing business in New York State in a corporate or organized capacity that meets the 80% or more stock ownership requirement may be excluded from a combined return, if the corporation or the Commissioner of Taxation and Finance shows that the inclusion of such a corporation in the combined return fails to properly reflect the tax liability of such corporation.

Tax liability may be deemed to be improperly reflected because of intercorporate transactions or some agreement, understanding, arrangement or transaction whereby the activity, business, income or assets of the corporation within New York State is improperly or inaccurately reflected.

Any combination of banking corporations and bank holding companies that meets the 80% or more stock ownership test is required to file a combined return and may make a written request for a preliminary review as to which corporations are to be included in the combined return. The request must comply with the requirements set forth in the instructions below that describe the procedures for requesting permission to file a combined return.

In no event may a banking corporation or bank holding company, that meets the 65% or more but less than 80% stock ownership requirement, file or be included in a combined return without the consent of the Commissioner of Taxation and Finance.

Corporations that cannot be included in a combined return:

— A banking corporation that elected under section 1452(d) of the Tax Law to be taxed under Article 9-A of the Tax Law for those years such election is in effect.

— A banking corporation whose largest tax, computed on a separate basis, is on taxable assets and whose net worth ratio, computed on a separate basis, is less than five percent and whose total assets are comprised of 33% or more of mortgages.

— A banking corporation or bank holding company whose accounting period differs from the accounting period adopted by the combined group.

— A banking corporation or bank holding company that does not meet the 65% or more stock ownership requirement.

Rules for Alien Corporations

A banking corporation or bank holding company organized under the laws of a country other than the U.S. may not file a combined return with a banking corporation or bank holding company organized under the laws of the U.S., New York State or any other state.

An alien corporation can only be included in a combined return with other alien corporations.

Unitary Business

In deciding whether a corporation is part of a unitary business, the Commissioner of Taxation and Finance will consider whether the activities in which the corporation engages are related to the activities of other corporations in the group, or whether the corporation is engaged in the same or related lines of business as other corporations in the group. It is presumed that corporations that are eligible to be included in a combined return meet the unitary business requirement.

Intercorporate Transactions

In deciding whether there are intercorporate transactions that cause the improper reflection of the activity, business, income or assets of a corporation within New York State, the Commissioner of Taxation and Finance will consider transactions directly connected with the business conducted by the corporations, such as:

— performing services for other corporations in the group,

— providing funds to other corporations in the group, or

— performing related customer services using common facilities and employees.

Service functions will not be considered when they are incidental to the business of the corporation providing such services. Service functions include, but are not limited to, accounting, legal and personnel services. It is not necessary that there be intercorporate transactions between any one member with every other member of the group. For purposes of the intercorporate transactions test, it is essential that each corporation have intercorporate transactions with one other combinable corporation or with a combined or combinable group of corporations.

Who Must File

Article 32 of the Tax Law imposes a franchise tax on banking corporations for the privilege of exercising their corporation franchise or doing business in New York State in a corporate or organized capacity for all or any part of their tax year. It also imposes the tax on bank holding companies when included in a combined return. Except for corporations described in section 1453(l), corporations liable to tax under Article 33 are not subject to tax under Article 32.

Banking corporations include the following:

A. New York State banking corporations — Any corporation organized under the laws of New York State that is authorized to do or is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, limited purpose trust companies, subsidiary trust companies, savings banks, savings and loan associations, agreement corporations, and the New York Business Development Corporation. Also included as a banking corporation is the New York State Mortgage Facilities Corporation.

B. Banking corporations organized under the laws of another state or country — Any corporation organized under the laws of another state or country that is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, savings banks, savings and loan associations and agreement corporations.

C. Banking corporations organized under the laws of the United States — Any national banking association, federal savings bank, federal savings and loan association and any other corporation organized under the authority of the United States (including an Edge Act corporation) that is doing a banking business, is a banking corporation. Also, every production credit

association organized under the Federal Farm Credit Act of 1933 that is doing a banking business and all of whose stock held by the Federal Production Credit Corporation has been retired is a banking corporation.

D. Corporations owned by a Bank or a Bank Holding Company — Any corporation is a banking corporation that is principally engaged in a business that:

— might lawfully be conducted by a corporation subject to Article 3 of the New York Banking Law or by a national banking association, or

— is so closely related to banking or managing or controlling banks as to be a proper incident thereto as defined in section 4(c)(8) of the Federal Bank Holding Company Act of 1956, as amended, and

— if its voting stock is 65% or more owned or controlled directly or indirectly by a banking corporation described above or by a bank holding company.

However, a corporation that is 65% or more owned and is principally engaged in a business described in Section 183, 184, or 186 of the Tax Law (such as a telegraph, telephone, trucking, railroad, gas or electric business) is not subject to Article 32 of the Tax Law if any of its business receipts from that business are from outside the corporation that controls it.

A corporation that is 65% or more owned and that is subject to tax under Article 9-A for its tax year ending in 1984 was allowed in 1985 to make a one time election to continue to be taxable under Article 9-A. This election remains in effect until revoked by the taxpayer. In no event can the election or revocation of the election be for part of the tax year. The revocation is made by the filing of a tax return pursuant to Article 32 of the Tax Law.

Doing Business Within New York State

The phrase *doing business* includes all activities that occupy the time and labor of people for profit. In determining whether or not a corporation is doing business in New York State, consideration is given to such factors as: the nature, continuity, frequency and regularity of the activities of a corporation in New York State; the location of the corporation's offices and other places of business; the employment in New York State of agents, officers and employees of the corporation and other relevant factors. Activities that constitute doing business in New York State include: operating a branch, loan production office, representative office or a bona fide office in New York State. Activities that do not constitute doing business in New York State include: occasionally acquiring a security interest in real or personal property located in New York State or occasionally acquiring title to property located in New York State through foreclosure of a security interest.

In addition, a corporation organized under the laws of another country will not be deemed to be doing business, employing capital, owning property, or maintaining an office in New York State if its activities are limited solely to investing or trading in stocks and securities for its own account, pursuant to IRC § 864(b)(2)(A)(ii), or investing or trading in commodities for its own account, pursuant to IRC § 864(b)(2)(B)(ii), or any combination of these activities.

Banking Business

The phrase *banking business* means the business a corporation may be created to do under Article 3 (Banks and Trust Companies), Article 3-B (Subsidiary Trust Companies), Article 5 (Foreign Banking Corporations and National Banks), Article 5-A (New York Business Development Corporation), Article 5-C (Interstate Branching), Article 6 (Savings Banks) or Article 10 (Savings and Loan Associations) of the New York State Banking Law or the business a corporation is authorized to do by such articles. With respect to a national banking association, federal savings bank, federal savings and loan association or production credit association, the phrase *banking business* means the business a national banking association, federal savings bank, federal savings and loan association or production credit association may be created to do or is authorized to do under the laws of the United States or the laws of New York State. The phrase *banking business* also means such business as any corporation organized under the authority of the United States has authority to do that is substantially similar to the business that a corporation may be created to do under Article 3, 3-B, 5, 5-A, 5-C, 6, or 10 of the New York State Banking Law or any business that a corporation is authorized to do by such article.

A Bank Holding Company

The following are bank holding companies:

— a corporation or association subject to Article 3-a of the New York Banking Law,

— a corporation or association registered under the Federal Bank Holding Company Act of 1956, as amended,

— a corporation or association registered as a savings and loan holding company (excluding a diversified savings and loan holding company) under the Federal National Housing Act as amended, and

— a publicly traded partnership treated as a corporation under section 7704 of the Internal Revenue Code (IRC).

Bank S Corporations

A banking corporation that has elected to be a New York S corporation by filing Form CT-6 must file Form CT-32-S, *New York Bank S Corporation Franchise Tax Return.*

Qualified Subchapter S Subsidiary (QSSS)

The filing requirements for a QSSS that is owned by a New York C corporation or a nontaxpayer corporation are outlined below. Where New York follows federal QSSS treatment, the parent and QSSS will file a single franchise tax return. The QSSS will be ignored as a separate taxable entity, and the assets, liabilities, income and deductions of the QSSS will be included on the parent's franchise tax return. However, for other taxes, such as sales and excise taxes, and the license and maintenance fees imposed under Article 9, the QSSS will continue to be recognized as a separate corporation.

a. **Parent is a New York C Corporation** - New York will follow the federal QSSS treatment if (1) the QSSS is a New York taxpayer, or (2) the QSSS is not a New York taxpayer, but the parent makes a QSSS inclusion election. In both cases, the parent and QSSS will be taxed as a single New York C corporation. If the parent does not make a QSSS inclusion election, it will file as a New York C corporation on a stand-alone basis.

b. **Nontaxpayer Parent** - New York will follow the federal QSSS treatment where the QSSS is a New York taxpayer but the parent is not, if the parent elects to be taxed as a New York S corporation by filing Form CT-6. The parent and QSSS will be taxed as a single New York S corporation and file Form CT-32-S on a joint basis. If the parent does not elect to be a New York S corporation, the QSSS must file as a New York C corporation on a stand-alone basis.

c. **Exception: Excluded Corporation** - Notwithstanding the above rules, QSSS treatment will not be allowed unless both parent and QSSS are banking corporations. That is, the corporations will have to file on a stand-alone basis if one is an Article 32 taxpayer but the other is an Article 9, 9-A, or 33 taxpayer, or is a corporation which would be subject to such taxes if taxable in New York.

Where New York follows federal QSSS treatment, the QSSS will not be considered a subsidiary of the parent member corporation.

To notify the department that a QSSS is included in your return, check the box on page 2 of Form CT-32-A and attach Form CT-60-QSSS, *Qualified Subchapter S Subsidiary Information Schedule.*

Change of Business Information

If there have been any changes in your business name, identification number, mailing address, business address, telephone number or owner/officer information and you have not previously notified us, complete Form DTF-95, *Change of Business Information.* For information about ordering forms, refer to *Need Help?* on the last page.

Change of Address

If your address has changed, enter your new address on the label and check the box beneath name and address block at the top of your corporation tax return. Do not check this box for any change of business information other than address. You must still attach the preprinted label with the old address to enable us to update your account.

When and Where to File

File Form CT-32-A within 2½ months after the end of the tax year. If you are reporting for the calendar year, file your return on or before March 15. If the due date falls on a Saturday, Sunday, or legal holiday, the return is due on the next business day.

Mail returns to: **NYS Corporation Tax, Processing Unit, PO Box 22038, Albany NY 12201-2038.** If you cannot meet the filing deadline, ask for an extension of time by filing Form CT-5.3.

Private Delivery Services

The date recorded or marked by certain private delivery services, as designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance, will be treated as a postmark, and that date will be considered to be the date of delivery in determining whether your return was filed on time. The private delivery service can tell you how to get written proof of this date. If you use **any** private delivery service, address your return to: **State Processing Center, 431C Broadway, Menands, NY 12204**.

The current designated delivery services are:

1. Airborne Express (Airborne):
   - Overnight Air Express Service
   - Next Afternoon Service
   - Second Day Service
2. DHL Worldwide Express (DHL):
   - DHL Same Day Service
   - DHL USA Overnight
3. Federal Express (FedEx):
   - FedEx Priority Overnight
   - FedEx Standard Overnight
   - FedEx 2 Day
4. United Parcel Service (UPS):
   - UPS Next Day Air
   - UPS Next Day Air Saver
   - UPS 2nd Day Air
   - UPS 2nd Day Air A.M.

International Banking Facility (IBF) Election

A corporation with an IBF located in New York State may exclude the adjusted eligible net income or add the adjusted eligible net loss of that IBF in computing its entire net income and alternative entire net income (the IBF modification) **or** the corporation may elect, on an annual basis, to reflect the results of its IBF operation in its entire net income allocation percentage and its alternative entire net income allocation percentage (the IBF formula allocation election). If any corporation included in the combined return makes the IBF modification or formula allocation election, then ALL corporations included in the combined return with an IBF must use the same method in computing entire net income and alternative entire net income.

See Schedule F instructions for information on the IBF modification and IBF formula allocation method.

Copy of Federal Return

Attach a copy of federal Form 1120 or 1120F complete with attachments and any other returns or information requested in this return.

If changes are made to your federal return, you must file an amended New York State return (see *Federal Changes and Amended Returns* on page 16).

Metropolitan Transportation Business Tax (MTA Surcharge).

Any corporation taxable under Article 32 that does business in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-32-M and pay a metropolitan transportation business tax surcharge on business done in the Metropolitan Transportation Authority region (MTA Surcharge). The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

Answer the MTA surcharge question above line A on page 1. Corporations not doing business in the MCTD must disclaim liability for the MTA surcharge by answering *No* and are not required to file Form CT-32-M.

The parent corporation must answer the MTA surcharge question on page 1 of Form CT-32-A. All other members of the combined group must answer the MTA surcharge question on page 1 of Form CT-32-A/C.

Corporations filing on a combined basis are required to file only one MTA surcharge return for the combined group, Form CT-32-M. Combined figures, as shown on Forms CT-32-A and CT-32-A/B should be used to complete the surcharge form.

License and Maintenance Fees

Foreign bank holding companies and foreign corporations that are 65% or more owned by a bank or bank holding company (as defined under *Who Must File*, Item D) and that are subject to tax under Article 32, must pay a license fee (Form CT-240) and maintenance fee (Form CT-245) imposed by section 181 of the Tax Law.

Independently Procured Insurance Tax

If you purchase or renew a taxable insurance contract from an insurer not authorized to transact business in New York State under a Certificate of Authority from the Superintendent of Insurance, you will be liable for a tax of 3.6% of the premium. See Form CT-33-D or TSB-M-90(9)C for more information.

Reporting Period

If you are a calendar year filer, check the box in the upper right corner on the front of the form.

If you are a fiscal year filer, complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

Business Activity Code Number

Enter the business activity code number from your federal return. Please check the appropriate box for the type of code you are using. Check the box marked *NAICS* if you use the North American Industry Classification System. If you have entered a Principal Industrial Activity (PIA) or Standard Industrial Classification (SIC) code, check the box marked *Other*.

Definition of Headquarters

Headquarters are defined as the location where the majority of executive officers reside for purposes of work.

Location of Headquarters

If your headquarters are located in the United States, enter the five digit ZIP code of the location of your headquarters in the appropriate box. If your headquarters are located outside the United States, enter the name of the country where your headquarters are located.

County Code

If your headquarters are located in New York State, enter the appropriate county code of the headquarters location from Table 1 below. If your headquarters are in another state, enter code ***65***. If your headquarters are outside the United States, enter code ***67***.

Table 1
New York State County Codes

County	Code No.	County	Code No.	County	Code No.
Albany	01	Jefferson	22	Schoharie	43
Allegany	02	Lewis	23	Schuyler	44
Broome	03	Livingston	24	Seneca	45
Cattaraugus	04	Madison	25	Steuben	46
Cayuga	05	Monroe	26	Suffolk	47
Chautauqua	06	Montgomery	27	Sullivan	48
Chemung	07	Nassau	28	Tioga	49
Chenango	08	Niagara	29	Tompkins	50
Clinton	09	Oneida	30	Ulster	51
Columbia	10	Onondaga	31	Warren	52
Cortland	11	Ontario	32	Washington	53
Delaware	12	Orange	33	Wayne	54
Dutchess	13	Orleans	34	Westchester	55
Erie	14	Oswego	35	Wyoming	56
Essex	15	Otsego	36	Yates	57
Franklin	16	Putnam	37	Manhattan	60
Fulton	17	Rensselaer	38	Bronx	60
Genesee	18	Rockland	39	Richmond	60
Greene	19	St. Lawrence	40	Kings	60
Hamilton	20	Saratoga	41	Queens	60
Herkimer	21	Schenectady	42	N.Y.C.	60

Intercorporate Transactions

Column D

Each corporation included in a combined return must compute its entire net income as if it had filed its federal income tax return on a separate basis.

The parent corporation and each member corporation included in the combined return are required to enter in Column D all intercorporate transactions between all corporations included in the combined return.

In the computation of combined entire net income in Schedule B, all intercorporate dividends and intercorporate transactions between the corporations in the combined return are eliminated. When computing intercorporate transactions, intercorporate profits are deferred, capital losses are to be offset against capital gains and contributions are to be deducted as if the corporations in the group had filed a consolidated federal income tax return.

In the computation of combined taxable assets in Schedule D, all intercorporate stockholdings and intercorporate bills, notes and accounts receivable and payable and other intercorporate indebtedness between corporations in the combined return are eliminated.

In the computation of the combined entire net income allocation percentage, combined alternative entire net income allocation percentage and combined taxable assets allocation percentage in Schedule E, all intercorporate dividends and all other intercorporate transactions, including intercorporate receipts between corporations in the combined return are eliminated.

Intercorporate transactions include intercorporate:

– gross receipts, cost of goods sold, dividend income, interest income, commissions, rent income, management fees, capital gains, capital losses, other miscellaneous income or loss items, or

– compensation of officers, salaries and wages expense, rent expense, interest expense, depreciation expense, advertising, employee benefits, other miscellaneous expense items, or

– trade notes receivable and accounts receivable, inventories, loans to corporate stockholders, mortgages and real estate loans, investments, building and other depreciable assets, intangibles, other miscellaneous assets, or

– accounts payable, mortgages payable, notes payable, bonds payable, loans from stockholders, other miscellaneous liabilities, or

– capital stock, paid-in surplus, capital surplus, retained earnings or other miscellaneous stockholder transactions.

In no event will an item of income or expense of a corporation organized under the laws of a country other than the United States be included in a combined return unless it is includable in entire net income or alternative entire net income.

In no event will an asset of a corporation organized under the laws of a country other than the United States be included in a combined return unless it is included in taxable assets.

Attach a list of intercorporate transactions for each corporation in the combined return.

Specific Line Instructions for Forms CT-32-A and CT-32-A/B

Whole Dollar Amounts - You may elect to show amounts in whole dollars rather than dollars and cents. Round an amount from 50 cents through 99 cents to the next higher dollar, and round any amount less than 50 cents to the next lower dollar.

Percentages - When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Percentages should be carried out to four decimal places. For example: 5,000/7,500 = .6666666 = 66.6667%.

Negative amounts, if any, should be shown in parentheses.

Line A - Make your payment in United States funds. A foreign check or foreign money order will only be accepted if payable through a United States bank or if marked ***Payable in U.S. Funds.***

Schedule A

Line 1 — Enter allocated combined taxable entire net income computed on Schedule B, line 36, and multiply by the tax rate of 9%.

Line 2 — Enter allocated combined taxable alternative entire net income computed on Schedule C, line 9, and multiply by the tax rate of 3%.

Line 3 — Enter allocated combined taxable assets computed on Schedule D, line 4, and multiply by the tax rate of .0001.

Line 4 — The corporation paying the combined tax must pay the fixed minimum tax of $250 when it is the greatest tax computed on Schedule A, lines 1 through 4.

Line 5 — Enter the amount from line 1, 2, 3, or 4, whichever is largest.

Line 6 — Enter the amount claimed for the following tax credits:

A Eligible Business Facility Tax Credit (section 1456(b)). Attach Form CT-45.

B Economic Development Zone Capital Corporation Tax Credit (section 1456(d)). See Form DTF-602 for detailed instructions.

C Tax Credit for Servicing Mortgages (section 1456(a)). If you claim this credit, you must submit a copy of the letter from the New York State Mortgage Agency approving the credit. This credit can reduce the tax to zero. Enter amount in the space provided on Form CT-32.

D Economic Development Zone Wage Tax Credit (section 1456(e)). See Form DTF-601 for detailed instructions. Zone Equivalent Area Wage Tax Credit (section 1456(e)). See Form DTF-601.1 for detailed instructions.

E Claim for Credit for Employment of Persons with Disabilities (section 1456(f)). See Form CT-41 for detailed instructions.

F Special Additional Mortgage Recording Tax Credit (section 1456(c)). See Form CT-43 for detailed instructions.

G Claim for Investment Tax Credit for the Financial Services Industry (section 1456(i)). See Form CT-44 for detailed instructions.

These credits, except for the credit for servicing mortgages, may not reduce your tax below the minimum tax of $250. The tax credits must be claimed in the same order as they are described.

Line 8 — Each taxpayer included in the combined return, other than the deemed parent corporation, is required to pay the fixed minimum tax of $250. A corporation that would not otherwise be taxable in New York State except for its inclusion in a combined return is not required to pay the minimum tax of $250.

Line 10b — If the franchise tax on line 7 exceeds $1,000 and Form CT-5.3 was not filed, a mandatory first installment is required for the period following that covered by this return. Enter 25% of tax shown on line 7.

Line 14 — Every corporation whose New York State franchise tax liability can reasonably be expected to exceed $1,000, must file a declaration of estimated tax, Form CT-400. A penalty will be imposed if a taxpayer fails to file a declaration of estimated tax or fails to pay all or any part of an installment payment of estimated tax. See Form CT-222, *Underpayment of Estimated Tax by a Corporation.*

Line 15 — If you do not pay the franchise tax due on or before the original due date (determined **without** regard to any extension of time to file), you must pay interest on the amount of the underpayment from the original due date to the date paid. Exclude from the interest computation any amount shown on line 10a or 10b, first installment of estimated tax for the next period. Interest will be compounded daily.

Line 16 — Additional charges for late filing and late payment are computed on the amount of tax less any payment made on or before the due date (determined **with** regard to any extension of time to file). Exclude from the penalty computation any amount shown on line 10a or 10b, the first installment of estimated tax for the next period.

A If you do not file a return when due or if the request for extension is invalid, add to the tax 5% per month up to 25% (section 1085(a)(1)(A)).

B If you do not file a return within 60 days of the due date, the addition to tax in item A above cannot be less than the smaller of $100 or 100% of the amount required to be shown as tax (section 1085(a)(1)(B)).

C If you do not pay the tax shown on a return, add to the tax ½% per month up to 25% (section 1085(a)(2)).

D The total of the additional charges in items A and C may not exceed 5% for any one month except as provided for in item B (section 1085 (a)).

If you think you are not liable for these additional charges, attach a statement to your return explaining the delay in filing, payment, or both (section 1085).

Note: You may have interest (line 15) and penalty (line 16) computed for you by calling the Business Tax Information Center at 1 800 972-1233.

Line 22 — Collection of debts from your refund — We will keep all or part of your refund if you owe a past-due legally enforceable debt to the Internal Revenue Service or a New York State agency. This includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district. Any amount over your debt will be refunded.

If you have any questions about whether you owe a past-due legally enforceable debt to the Internal Revenue Service or a state agency, contact the IRS or that particular state agency.

For New York State tax liabilities **only** call 1 800 835-3554 (outside the U.S. and Canada call 518 485-6800) or write to:

NYS TAX DEPARTMENT
TAX COMPLIANCE DIVISION
W A HARRIMAN CAMPUS
ALBANY NY 12227

If you are a new business and you are claiming a refund of your unused investment tax credit instead of a carryover, include on this line the amount of your unused investment tax credit you want refunded. To avoid an unnecessary exchange of funds, we will apply this refund against the minimum tax due. We will refund the balance, if any.

Schedule B

Line 1 — Enter the amount of federal taxable income computed before net operating loss and special deductions that would have been reported as if a separate federal income tax return had been filed on one of the following:

— If you file Form 1120, enter the amount from line 28; or

— If you file Form 1120-F, enter the amount from line 29 of section II; or

— If you are a savings bank that conducts a life insurance business through a life insurance department under the authority of Article 6-A of the Banking Law, enter the federal taxable income that such bank is required to report to the United States Department of the Treasury under section 594(a)(1) of the IRC, as amended; or

— If you are a corporation that is exempt from federal income tax (other than the tax on unrelated business income imposed under section 511 of the IRC) but subject to Article 32 of the New York State Tax Law, enter the amount you would have had to report as federal income before net operating loss and special deductions were you not exempt.

When computing federal taxable income as if a separate federal return had been filed, a selling corporation(s) in an IRC section 338(h)(10) election excludes any gain or loss on the sale of stock of a target corporation if:

— the selling corporation and target corporation file a combined return for New York State on Form CT-32-A for a tax period up to and including the acquisition date of the target corporation; and

— the acquisition date of the target corporation occurred on or after November 20, 1991.

Attach a copy of the consolidated federal return with spread sheets or work papers supporting the federal consolidated return.

Line 2 — Corporations organized under the laws of a country other than the U.S. enter dividends (including the IRC section 78 gross-up on dividends to the extent not already included in federal taxable income) and interest on any kind of stock, securities or indebtedness that are effectively connected with the conduct of a trade or business in the U.S. pursuant to section 864 of the IRC and are excluded from federal taxable income.

Line 3 — Corporations organized under the laws of a country other than the U.S. enter any income effectively connected with the conduct of a trade or business in the U.S. pursuant to section 864 of the IRC that is exempt from federal taxable income under any treaty obligation of the U.S. and any income that would be treated as effectively connected with the conduct of a trade or business in the U.S. pursuant to section 864 of the IRC were it not excluded from gross income pursuant to section 103(a) of the IRC.

Line 4 — Corporations organized under the laws of the U.S. or any of its states enter dividends (including the IRC section 78 gross-up on dividends to the extent not already included in federal taxable income) and interest on any kind of stock, securities or indebtedness that were excluded from federal taxable income. Include all interest on state and municipal bonds and obligations of the U.S. and its instrumentalities.

Line 5 — Enter any taxes on or measured by income or profit paid or accrued to the United States, any of its possessions or any foreign country, that were deducted in computing federal taxable income on Schedule B, line 1.

Line 6 — Enter all New York State franchise taxes imposed under sections 183, 184, and 186 of Article 9, Articles 9-A and 32 that were deducted in computing federal taxable income.

Line 7 — Each corporation included in the combined return, if applicable, must complete Form CT-399 and Form CT-32-A, Schedule G on a separate basis. To report the amount of ACRS or MACRS deduction to be added back to federal taxable income, enter the amount from Form CT-399, line 4. If the parent or member corporation disposed of property this year, then include the amount from Form CT-399, line 12, column A, and Form CT-32-A, Schedule G, lines 1 and 3, if applicable.

Line 9 — If special additional mortgage recording tax credit is being claimed, you must adjust entire net income by adding back the special additional mortgage recording tax claimed as a credit and used as a deduction in the computation of federal taxable income. The gain on the sale of real property on which the special additional mortgage recording tax credit was claimed must be increased when all or any portion of the credit was also used in the basis for computing the federal gain.

Line 11 — A thrift institution must enter any amount allowed as a deduction for federal income tax purposes according to sections 166 or 585 of the IRC. See the instructions for line 29 for the definition of a thrift institution.

If you are not a thrift institution but are subject to section 585(c) of the IRC, enter the bad debt deduction allowed pursuant to section 166 of the IRC.

Line 12 — If you compute a bad debt deduction pursuant to section 1453(i) of the Tax Law, enter 20% of the excess of the amount determined pursuant to section 1453(i) over the amount that would have been allowable as a deduction had you maintained a bad debt reserve for all tax years on the basis of actual experience.

Line 13

A-1 If you computed entire net income using the IBF modification on line 26, you must add any income the IBF received from foreign branches that is included on Schedule F, line 5, and that is not included in federal taxable income.

A-2 If your corporation has a safe harbor lease you must include:

— Any amount you claimed as a deduction in computing federal taxable income solely as a result of an election made under section 168(f)(8) of the IRC (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84).

— Any amount that you would have been required to include in the computation of its federal taxable income had you not made the election made under section 168(f)(8) of the IRC (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84).

A-3 Qualified Emerging Technology Investments (QETI) – If you elect to defer the gain from the sale of QETI, **you must** then make an addition to your federal taxable income. Add the amount previously deferred when the reinvestment in the New York qualified emerging technology company which qualified you for that deferral is sold. See subtraction S-4 on page 11.

Line 15 — Enter expenses not deducted on your federal return that are applicable to income from dividends or interest that is exempt from federal tax, shown on lines 2, 3, and 4.

Line 16 — Each corporation included in the combined return, if applicable, must complete Form CT-399 and Schedule G on a separate basis. In place of the disallowed ACRS and MACRS deduction, you may compute a depreciation deduction by any method permitted under IRC section 167 (as it would have applied to property placed in service on December 31, 1980). For more information see Form CT-399, *Depreciation Adjustment Schedule*. Enter the amount from Form CT-399, line 5, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 12, column B, and Form CT-32-A, Schedule G, line 4, if applicable.

Line 18 — Enter any income or gain from installment sales included in federal taxable income that was previously includable in computing tax under Articles 9-B or 9-C.

Line 20 — A deduction may be made for the amount of wages that were disallowed in the computation of your federal taxable income for the purpose of the Jobs Credit. Attach a copy of federal Form 5884.

Line 21 — Enter any amount of money or other property (whether or not evidenced by a note or other instrument) received from the following: the Federal Deposit Insurance Corporation under section 13(c) of the Federal Deposit Insurance Act, as amended; the Federal Savings and Loan Insurance Corporation under section 406(f)(1), (2), (3), or (4) of the Federal National Housing Act, as amended; or the Resolution Trust Corporation (RTC) under section 1823(c)(1), (2), or (3) of Title 12 of the United States Code.

Line 22 — Every corporation included in the combined return is allowed to deduct 17% of interest income received from subsidiary corporations. To the extent deducted on this line, interest income received from subsidiary corporations that are included in the combined return must be eliminated in column D. Attach a list showing the names of the subsidiaries and the amount of interest income received from each (see TSB-M-87(11)C).

A subsidiary is a corporation that is controlled by the taxpayer because the taxpayer owns more than 50% of the total number of the shares of the corporation's voting capital stock. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books of the issuing corporation. Actual beneficial ownership of stock does not mean indirect ownership or control of a corporation through a corporate structure consisting of several tiers and/or chains. For additional information see 20 NYCRR 16-2.22.

Subsidiary capital is the taxpayer's total investment in shares of stock in its subsidiaries, and the amount of indebtedness owed to the taxpayer by its subsidiaries (whether or not evidenced by written instruments) on which interest is not claimed and deducted by the subsidiary against any tax imposed by Articles 9-A, 32, or 33 of the Tax Law.

Subsidiary capital does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for sales of property held primarily for sale to customers. It also does not include stocks, bonds or other securities of a subsidiary held by the taxpayer for sale to customers in the regular course of the taxpayer's business.

Line 23 — Every corporation included in the combined return is allowed to deduct 60% of dividend income received from subsidiary corporations. To the extent deducted on this line, dividend income received from subsidiary corporations that are included in the combined return must be eliminated in column D. Attach a list showing the names of each subsidiary and the amount of dividend income received from each subsidiary to the extent included in federal taxable income on line 1 and/or line 3 of Schedule B (see TSB-M-87(11)C). Deduct from subsidiary dividend income any section 78 dividends deducted on line 19 that are attributable to dividends from subsidiary capital.

Line 24 — Every corporation included in the combined return is allowed to deduct 60% of net gains from subsidiary capital. To the extent deducted on this line, net gains from subsidiary corporations that are included in the combined return must be eliminated in column D. Attach a list showing the names of each subsidiary and the amount of gains or losses received from each subsidiary to the extent included in federal taxable income on line 1 (see TSB-M-87(11)C). Include any gain or loss from the sale of a subsidiary corporation, as a result of an IRC section 338 election, to the extent the gain or loss is included in federal taxable income on line 1. Subsidiary gains must be offset by subsidiary losses. If subsidiary gains exceed subsidiary losses, the net gain is multiplied by 60%. If subsidiary losses exceed subsidiary gains, enter "0" on line 24.

Line 25 — Attach a list showing the name and amount of interest income received from each obligation of New York State, each obligation of political subdivisions of New York State and each obligation of the United States. The term *obligation* refers to obligations incurred in the exercise of the borrowing power of New York State or any of its political subdivisions or of the United States. The term *obligation* does not include obligations held for resale in connection with regular trading activities or obligations that guarantee the debt of a third party. The following do not qualify under this provision: guaranteed student loans, industrial development bonds issued pursuant to Article 18-A of the New York State General Municipal Law, FNMA mortgage-backed securities and GNMA mortgage-backed securities. This is not, however, a comprehensive list.

Additional information can be found in TSB-M-86(7.1)C.

Line 26 — Enter the amount from Schedule F, line 24, if you elected to compute entire net income using the IBF modification. Note: See lines 13 and 31 for adjustments to federal taxable income that are attributable to transactions between the taxpayer's foreign branches and its IBF.

Line 27 — Enter any amount that is included in federal taxable income pursuant to section 585(c) of the IRC.

Line 28 — Enter any amount that is included in federal taxable income as a result of a recovery of a loan by a taxpayer subject to the provisions of section 585(c) of the IRC.

Line 29

(1) For purposes of this instruction, a *thrift institution* is a banking corporation that satisfies the requirements of (1)(A) and (1)(B) below.

(A) Such banking corporation must be:

(i) a banking corporation as defined in section 1452(a)(1) of the Tax Law created or authorized to do business under Article 6 or 10 of the Banking Law, or

(ii) a banking corporation as defined in section 1452(a)(2) or 1452(a)(7) of the Tax Law that is doing a business substantially similar to the business that a corporation or association may be created to do under Article 6 or 10 of the Banking Law or any business that a corporation or association is authorized by such article to do, or

(iii) a banking corporation as defined in section 1452(a)(4) or 1452(a)(5) of the Tax Law.

(B) At least 60% of the amount of the total assets (at the close of the taxable year) of a banking corporation must consist of:

(i) cash;

(ii) obligations of the United States or of a state or political subdivision thereof, and stock or obligations of a corporation that is an instrumentality of the United States or of a state or political subdivision thereof, but not including obligations the interest on which is excludable from gross income under section 103 of the IRC;

(iii) loans secured by a deposit or share of a member;

(iv) loans secured by an interest in real property that is (or from the proceeds of the loan, will become) residential real property or real property used primarily for church purposes, loans made for the improvement of residential real property or real property used primarily for church purposes. For purposes of this clause, residential real property includes single or multifamily dwellings, facilities in residential developments dedicated to public use or property used on a nonprofit basis for residents, and mobile homes not used on a transient basis;

(v) property acquired through the liquidation of defaulted loans described in (1)(B)(iv);

(vi) any regular or residual interest in a real estate mortgage investment conduit (REMIC), as such term is defined in section 860D of the IRC, but only in the proportion which the assets of such REMIC consist of property described in (1)(B)(i) through (1)(B)(v), except that if 95% or more of the assets of such REMIC are assets described in (1)(B)(i) through (1)(B)(v) above, the entire interest in the REMIC shall qualify:

(vii) any mortgage-backed security that represents ownership of a fractional undivided interest in a trust, the assets of which consist primarily of mortgage loans, provided that the real property that serves as security for the loans is (or from the proceeds of the loan, will become) the type of property described in (1)(B)(i) through (1)(B)(v);

(viii) certificates of deposit in, or obligations of, a corporation organized under a state law that specifically authorizes such corporation to insure the deposits or share accounts of member associations;

(ix) loans secured by an interest in real property located within any urban renewal area to be developed for predominantly residential use under an urban renewal plan approved by the Secretary of Housing and Urban Development under Part A or Part B of Title I of the Housing Act of 1949, as amended, or located within any area covered by a program eligible for assistance under section 103 of the Demonstration Cities and Metropolitan Development Act of 1966, as amended, and loans made for the improvement of any such real property;

(x) loans secured by an interest in educational, health, or welfare institutions or facilities, including structures designed or used primarily for residential purposes for students, residents, and persons under care, employees, or members of the staff of such institutions or facilities;

(xi) loans made for the payment of expenses of college or university education or vocational training; and

(xii) property used by the taxpayer in the conduct of business that consists principally of acquiring the savings of the public and investing in loans.

(C) At the election of the taxpayer, the percentage specified in (1)(B) shall be applied on the basis of the average assets outstanding during the taxable year, in lieu of the close of the taxable year. For purposes of (1)(B)(iv), if a multifamily structure securing a loan is used in part for nonresidential use purposes, the entire loan is deemed a residential real property loan if the planned residential use exceeds 80% of the property's planned use (determined as of the time the loan is made). Also, for purposes of (1)(B)(iv), loans made to finance the acquisition or development of land shall be deemed to be loans secured by an interest in residential real property if there is a reasonable assurance that the property will become residential real property within a period of three years from the date of acquisition of such land; but this sentence shall not apply for any taxable year unless, within such three year period, such land becomes residential real property. For purposes of determining whether any interest in a REMIC qualifies under (1)(B)(vi), any regular interest in another REMIC held by such REMIC shall be treated as a loan described in(1)(B)(i) through (1)(B)(v) under principles similar to the principle of (1)(B)(vi); except that if such REMICS are part of a tiered structure, they shall be treated as one REMIC for purposes of (1)(B)(vi).

(2) A thrift institution must exclude from the computation of its entire net income on Schedule B, line 11, any amount allowed as a deduction for federal income tax purposes according to section 166, 585, or 593 of the IRC.

(3) A thrift institution shall be allowed as a deduction in computing entire net income the amount of a reasonable addition to its reserve for bad debts. This amount shall be equal to the sum of:

(A) the amount determined to be a reasonable addition to the reserve for losses on nonqualifying loans, computed in the same manner as is provided with respect to additions to the reserves for losses on loans of banks under section 1453(i)(1), plus

(B) the amount determined by the taxpayer to be a reasonable addition to the reserve for losses on qualifying real property loans, but such amount shall not exceed the amount determined under (4) or (5), whichever is the larger, but the amount determined under (3)(B) shall in no case be greater than the larger of:

(i) the amount determined under (5), or

(ii) the amount that, when added to the amount determined under (3)(A), equals the amount by which 12% of the total deposits or withdrawable accounts of depositors of the taxpayer at the close of such year exceeds the sum of its surplus, undivided profits and reserves at the beginning of such year (taking into account any portion thereof attributable to the period before the first taxable year beginning after December 31, 1951).

The taxpayer **must** include in its tax return for each year a computation of the amount of the addition to the bad debt reserve determined under (3)(B). The use of a particular method in the return for a taxable year is not a binding election by the taxpayer.

(4) (A) Subject to (4)(B) and (4)(C), the amount determined under (4)(A) for the taxable year shall be an amount equal to 32% of the entire net income for such year.

(B) The amount determined under (4)(A) shall be reduced (but not below zero) by the amount determined under (3)(A).

(C) The amount determined under (4) shall not exceed the amount necessary to increase the balance at the close of the taxable year of the reserve for losses on qualifying real property loans to six percent of such loans outstanding at such time.

(D) For purposes of (4), entire net income shall be computed

(i) by excluding from income any amount included therein by reason (8)(B),

(ii) without regard to any deduction allowable for any addition to the reserve for bad debts, and

(iii) by excluding from income an amount equal to the net gain for the taxable year arising from the sale or exchange of stock of a corporation or of obligations the interest on which is excludable from gross income under section 103 of the IRC.

(iv) Whenever a thrift institution is properly includable in a combined return, entire net income, for purposes of (4), shall not exceed the lesser of the thrift institution's separately computed entire net income as adjusted pursuant to (4)(D)(i) through(4)(D)(iii) or the combined group's entire net income as adjusted pursuant to (4)(D)(iii).

(5) The amount determined under (5) for the taxable year shall be computed in the same manner as is provided under section 1453(i)(1) with respect to additions to reserves for losses on loans of banks. Provided, however, that for any taxable year beginning after 1995, for purposes of such computation, the base year shall be the later of (A) the last taxable year beginning in 1995 or (B) the last taxable year before the current year in which the amount determined under the provisions of (3)(B) exceeded the amount allowable under (5).

(6) (A) (i) Each taxpayer described in (1) shall establish and maintain a New York reserve for losses on qualifying real property loans, a New York reserve for losses on nonqualifying loans and a supplemental reserve for losses on loans. Such reserves shall be maintained for all subsequent taxable years that section 1453(h) applies to the taxpayer.

(ii) For purposes of section 1453(h), such reserves shall be treated as reserves for bad debts, but no deduction shall be allowed for any addition to the supplemental reserve for losses on loans.

(iii) Except as noted below, the balances of each such reserve at the beginning of the first day of the first taxable year beginning after December 31, 1995, shall be the same as the balances maintained for federal income tax purposes in accordance with section 593(c)(1) of the IRC as in existence on December 31, 1995, for the last day of the last tax year beginning before January 1, 1996. A taxpayer that maintained a New York reserve for loan losses on qualifying real property loans in the last tax year beginning before January 1, 1996, shall have a continuation of such New York reserve balance in lieu of the amount determined under the preceding sentence.

(iv) Notwithstanding (6)(A)(ii), any amount allocated to the reserve for losses on qualifying real property loans according to section 593(c)(5) of the IRC as in effect immediately prior to the enactment of the Tax Reform Act of 1976 shall not be treated as a reserve for bad debts for any purpose other than determining the amount referred to in (3)(B), and for such purpose such amount shall be treated as remaining in such reserve.

(B) Any debt becoming worthless or partially worthless in respect of a qualifying real property loan shall be charged to the reserve for losses on such loans and any debt becoming worthless or partially worthless in respect of a nonqualifying loan shall be charged to the reserve for losses on nonqualifying loans, except that any such debt may, at the election of the taxpayer, be charged in whole or in part to the supplemental reserve for losses on loans.

(C) The New York reserve for losses on qualifying real property loans shall be increased by the amount determined under (3)(B) and the New York reserve for losses on nonqualifying loans shall be increased by the amount determined under (3)(A).

(7) (A) For purposes of section 1453(h), the term *qualifying real property loan* shall mean any loan secured by an interest in improved real property or secured by an interest in real property that is to be improved out of the proceeds of the loan. Such term shall include any mortgage-backed security that represents ownership of a fractional undivided interest in a trust, the assets of which consist primarily of mortgage loans, provided that the real property that serves as security for the loans is (or from the proceeds of the loan, will become) the type of property described in (1)(B)(i) through (1)(B)(v). However, such term shall not include:

(i) any loan evidenced by a security (as defined in section 165(g)(2)(C) of the IRC);

(ii) any loan, whether or not evidenced by a security (as defined in section 165(g)(2)(C)), the primary obligor of which is (I) a government or political subdivision or instrumentality thereof, (II) a banking corporation, or (III) any corporation 65% or more of whose voting

stock is owned or controlled, directly or indirectly, by the taxpayer or by a banking corporation or bank holding company that owns or controls, directly or indirectly, 65% or more of the voting stock of the taxpayer;

(iii) any loan, to the extent secured by a deposit in or share of the taxpayer; or

(iv) any loan that, within a 60-day period beginning in one taxable year of the creditor and ending in its next taxable year, is made or acquired and then repaid or disposed of, unless the transactions by which the loan was made or acquired and then repaid or disposed of are established to be for bona fide business purposes.

(B) For purposes of section 1453(h), the term *nonqualifying loan* shall mean any loan that is not a qualifying real property loan.

(C) For purposes of section 1453(h), the term *loan* shall mean debt, as the term *debt* is used in section 166 of the IRC.

(D) A regular or residual interest in a REMIC, as such term is defined in section 860D of the IRC, shall be treated as a qualifying real property loan, except that, if less than 95% of the assets of such REMIC are qualifying real property loans (determined as if the taxpayer held the assets of the REMIC), such interest shall be so treated only in the proportion that the assets of such REMIC consist of such loans. For purposes of determining whether any interest in a REMIC qualifies under the preceding sentence, any interest in another REMIC held by such REMIC shall be treated as a qualifying real property loan under principles similar to the principles of the preceding sentence, except that if such REMIC are part of a tiered structure, they shall be treated as one REMIC for purposes of (7).

(8) (A) Any distribution of property (as defined in section 317(a) of the IRC) by a thrift institution to a shareholder with respect to its stock, if such distribution is not allowable as a deduction under section 591 of the IRC, shall be treated as made:

(i) first out of its New York earnings and profits accumulated in taxable years beginning after December 31, 1951, to the extent thereof,

(ii) then out of the New York reserve for losses on qualifying real property loans, to the extent additions to such reserve exceed the additions that would have been allowed under (5),

(iii) then out of the supplemental reserve for losses on loans to the extent thereof,

(iv) then out of such other accounts as may be proper.

8 (A) shall apply in the case of any distribution in redemption of stock or in partial or complete liquidation of a thrift institution, except that any such distribution shall be treated as made first out of the amount referred to in (8)(A)(ii), second out of the amount referred to in (8)(A)(iii), third out of the amount referred to in (8)(A)(i) and then out of such other accounts as may be proper. (8)(A) shall not apply to any transaction to which section 381 of the IRC (relating to carryovers and certain corporate acquisitions) applies, or to any distribution to the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation in redemption of an interest in an association or institution, if such interest was originally received by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation in exchange for financial assistance according to section 406(f) of the Federal National Housing Act or according to section 13(c) of the Federal Deposit Insurance Act.

(B) If any distribution is treated under (8)(A) as having been made out of the reserves described in (8)(A)(ii) and (8)(A)(iii), the amount charged against such reserve shall be the amount that, when reduced by the amount of tax imposed under the IRC and attributable to the inclusion of such amount in gross income, is equal to the amount of such distribution; and the amount so charged against such reserve shall be included in the entire net income of the taxpayer.

(C)(i) For purposes of (8)(A)(ii), additions to the New York reserve for losses on qualifying real property loans for the taxable year in which the distribution occurs shall be taken into account.

(ii) For purposes of computing under section 1453(h) the amount of a reasonable addition to the New York reserve for losses on qualifying real property loans for any taxable year, the amount charged during any year to such reserve pursuant to the provisions of (8)(B) shall not be taken into account.

(9) A taxpayer that maintains a New York reserve for losses on qualifying real property loans and that ceases to meet the definition of a thrift institution as defined in section (1)(A) and (1)(B), must include in its entire net income for the last taxable year such definition applied the excess of its New York reserve for losses on qualifying real property loans over the greater of (A) its reserve for losses on qualifying real property loans as of the last day of the last taxable year (12/31/95) such reserve is maintained for federal income tax purposes or (B) the balance of the New York reserve for losses on qualifying real property loans that would be allowable to the taxpayer for the last taxable year such taxpayer met the definition of a thrift institution if the taxpayer had computed its reserve balance according to the method described in section 1453(i)(1)(A).

Line 30

(1) A taxpayer subject to the provisions of section 585(c) of the IRC and not subject to section 1453(h) may, in computing entire net income, deduct an amount equal to or less than the amount determined pursuant to (1)(A) or (1)(B), whichever is greater. Provided, however, in no event shall the deduction be less than the amount determined in (1)(A).

(A) The amount determined in (1)(A) shall be the amount necessary to increase the balance of its New York reserve for losses on loans (at the close of the taxable year) to the amount that bears the same ratio to loans outstanding at the close of the taxable year as (i) the total bad debts sustained during the taxable year and the five preceding taxable years (or, with the approval of the Commissioner of Taxation and Finance, a shorter period), adjusted for recoveries of bad debts during such period, bears to (ii) the sum of the loans outstanding at the close of such six or fewer taxable years.

(B)(i) The amount determined according to (1)(B) shall be the amount necessary to increase the balance of its New York reserve for losses on loans (at the close of the taxable year) to the lower of:

(I) the balance of the reserve at the close of the base year, or

(II) if the amount of loans outstanding at the close of the taxable year is less than the amount of loans outstanding at the close of the base year, the amount that bears the same ratio to loans outstanding at the close of the taxable year as the balance of the reserve at the close of the base year bears to the amount of loans outstanding at the close of the base year.

(ii) For purposes of (1), the base year shall be for taxable years beginning after 1987, the last taxable year beginning before 1988.

(2) (A) Each taxpayer described in (1) shall establish and maintain a New York reserve for losses on loans. Such reserve shall be maintained for all subsequent taxable years. The balance of the New York reserve for losses on loans at the beginning of the first day of the first taxable year the taxpayer becomes subject to section 1453(i) shall be the same as the balance at the beginning of such day of the reserve for losses on loans maintained for federal income tax purposes. The New York reserve for losses on loans shall be reduced by an amount equal to the deduction allowed, but not more than the amount allowable, for worthless debts for federal income tax purposes pursuant to section 166 of the IRC plus the amount, if any, charged against its reserve for losses on loans according to section 585(c)(4) of the IRC.

(B) For purposes of (2)(A), a taxpayer that had previously been subject to the provisions of section 1453(h) shall establish a New York reserve for losses on loans equal to the sum of:

(i) the greater of (I) the balance of its federal reserve for losses on qualifying real property loans as of the first day of the first taxable year the taxpayer becomes subject to the provisions of section 1453(i) or (II) the greater of the amounts determined under 1453(h)(9)(A) and 1453(h)(9)(B) applied to the taxpayer,

(ii) the greater of (I) the balance in its federal reserve for losses on nonqualifying loans as of the first day of the first taxable year the taxpayer becomes subject to section 1453(i) or (II) the balance in its New York reserve for losses on nonqualifying loans as of the last date the taxpayer was subject to the provisions of section 1453(h), and

(iii) the balance in its supplemental reserve for losses on loans as of the last date the taxpayer was subject to the provisions of section 1453(h).

(3) The determination and treatment of the New York reserve balance, including any additions thereto, subtractions therefrom, or recapture thereof, for

(A) any banking corporation that was subject to tax for federal income tax purposes but not subject to tax under Article 32 for prior tax years,

(B) any taxpayer that ceases to be subject to tax under Article 32, or

(C) any other unusual circumstances shall be determined by the Commissioner of Taxation and Finance. Provided, however, any banking corporation that was subject to tax for federal income tax purposes but not subject to tax under Article 32 for prior tax years shall have as its opening New York reserve for losses on loans the amount determined by applying the provisions of (1)(A) to loans outstanding at the close of its last tax year for federal income tax purposes ending prior to the first tax year for which the taxpayer is subject to tax under Article 32 and provided, further, that the provisions of (1)(B) shall not apply.

Line 31

S-1 If you computed entire net income using the IBF modification on line 26, you must subtract any expenses of the IBF that were paid to foreign branches of the taxpayer that are included on Schedule F, line 8, that are not included in federal taxable income.

S-2 If your corporation has a safe harbor lease, you must subtract:

— Any amount included in federal taxable income solely as a result of an election made under section 168(f)(8) of the IRC (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84).

— Any amount you would have excluded from federal taxable income had you not made the election under section 168(f)(8) of the IRC (safe harbor lease as it was in effect for agreements entered into prior to 1/1/84). For additional information on safe harbor leases, see TSB-M-82(15)C.

S-3 In the case of a taxpayer that is currently or has previously been subject to section 1453(h), any amount that is included in federal taxable income according to section 593(e)(2) of the IRC, and any amount that is included in federal taxable income according to section 593(g) of the IRC (added to the IRC by P.L. 104-188).

S-4 You may defer the gain on the sale of qualified emerging technology investments (QETI) that are (1) held for more than 36 months and (2) rolled over into the purchase of a QETI within 365 days. Replacement QETI must be purchased within the 365 day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the sale of the original QETI exceeds the cost of replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. The gain deferred must be added back in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from federal taxable income the amount of the gain deferral (to the extent the gain is included in federal taxable income). If purchase of the replacement QETI within the 365 day period occurs in the same taxable year as the sale of the original QETI, or in the following taxable year and before the date the corporation's franchise tax return is filed, take the deduction on that return. If purchase of the replacement QETI within the 365 day period occurs in the following taxable year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction.

A QETI is an investment in the stock of a corporation or an ownership interest in a partnership or limited liability company (LLC) that is a qualified emerging technology company. A QETI is also an investment in a partnership or an LLC to the extent that such partnership or LLC invests in qualified emerging technology companies. The investment must be acquired by the taxpayer as provided in IRC section 1202(c)(1)(B), or from a person who acquired it pursuant to this section. IRC section 1202(c)(1)(B) requires the acquisition to be original issue from the company, either directly or through an underwriter, and in exchange for cash, services, or property (but not stock).

A *qualified emerging technology company* is a company located in New York State that has total annual product sales of $10 million or less and that meets either of the following criteria:

(1) its primary products or services are classified as emerging technologies; or

(2) it has research and development activities in New York State and its ratio of research and development funds to net sales equals or exceeds the average ratio for all surveyed companies classified (as determined by the National Science Foundation in the most recently published results from its survey of Industry Research and Development, or a comparable successor survey as determined by the department).

Line 35 — If you claim a deduction for optional depreciation, enter the amounts from Schedule G, line 2, and Schedule H, line 3.

Schedule C

Line 1 — Entire net income must be the same as that reported on Schedule B, line 33. Whatever election you make concerning the IBF modification to entire net income applies to the computation of alternative entire net income. Intercorporate transactions between corporations included in the combined group must be eliminated.

Schedule D

A taxpayer is not subject to the tax on taxable assets for that portion of the tax year in which it had outstanding net worth certificates issued to the following: the Federal Savings and Loan Insurance Corporation (FSLIC) in accordance with section 406(f)(5) of the Federal National Housing Act, as amended, (12 USC 1729(f)(5)); the Federal Deposit Insurance Corporation (FDIC) in

accordance with section 13(i) of the Federal Deposit Insurance Act, as amended, (12 USC 1823(i)); or the Resolution Trust Corporation (RTC) under section 1823(c)(1), (2), or (3) of Title 12 of the United States Code, for that portion of the tax year the certificate is outstanding.

Line 1 — Compute the average value of total assets that includes money or other property received from the FSLIC, FDIC or RTC and interbank placements. Average value of total assets is generally computed on a quarterly basis. However, you may use a more frequent basis, such as monthly, weekly or daily. Total assets are those assets that are properly reflected on a balance sheet, the income or expenses of which are properly reflected (or would have been properly reflected if not depreciated or expensed fully or to a nominal amount) in the computation of the taxpayer's alternative entire net income for the tax year or in the computation of the eligible net income of the taxpayer's IBF for the tax year. Tangible real and personal property, such as buildings, land, machinery and equipment is valued at cost. Intangible property such as loans, investments, coin and currency is valued at book value.

Line 2 — Include any amount of money or other property (whether or not evidenced by a note or other instrument) received from or attributable to amounts received from the following: the FDIC pursuant to section 13(c) of the Federal Deposit Insurance Act, as amended; the FSLIC pursuant to section 406(f)(1) (2) (3) or (4) of the Federal National Housing Act, as amended; or the Resolution Trust Corporation under section 1823(c)(1), (2), or (3) of Title 12 of the United States code.

Line 5 — The term *net worth ratio* means the percentage of net worth to assets on the last day of the tax year. The term *net worth* means the sum of preferred stock, common stock, surplus, capital reserves, undivided profits, mutual capital certificates, reserve for contingencies, reserve for loan losses and reserve for security losses minus assets classified loss. The term *assets* means the sum of mortgage loans, nonmortgage loans, repossessed assets, real estate held for development or investment or resale, cash, deposits, investment securities, fixed assets and other assets (such as financial futures, goodwill and other intangible assets) minus assets classified loss. In no event shall assets be reduced by reserves for losses.

Line 6 — The percentage of mortgages included in total assets is determined by dividing the average of the four quarterly balances of mortgages ending within the tax year by the average of the four quarterly balances of all assets ending within the tax year. Such quarterly balances shall be computed in the same manner as the Report of Condition required for FDIC or FSLIC purposes whether or not such report is required. The term *mortgages* means loans secured by real property within or outside New York State, participations in and securities collateralized by pools of residential mortgages, whether or not issued or guaranteed by a United States government agency, and loans secured by stock in a cooperative housing corporation.

Schedule E

Each corporation included in the combined return is required to compute the entire net income allocation percentage, alternative entire net income allocation percentage and taxable assets allocation percentage on Form CT-32-A and CT-32-A/B. When computing the combined allocation percentages on Form CT-32-A, the payroll, receipts and deposits factors in each allocation percentage are computed as though the corporations included in the combined return were one corporation.

Eliminate intercorporate dividends and all other intercorporate transactions including intercorporate receipts and intercorporate deposits between the corporations included in the combined return. Attach a list of all intercorporate eliminations showing the amount of the intercorporate transactions and the corporations involved in each transaction.

A corporation that is doing business both within and outside New York State is entitled to allocate its entire net income, alternative entire net income and taxable assets within and outside New York State. A corporation that is not doing business outside New York State must allocate its entire net income, alternative entire net income and taxable assets 100% to New York State. However, a corporation that has an IBF located in New York State may elect, on an annual basis, to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income allocation percentage. For timely notification concerning the IBF election, see instructions for Schedule F.

If a corporation has an IBF located in New York State, all activities of an IBF must be included in both the numerator and denominator when computing the taxable assets allocation percentage, regardless of whether a corporation elects to include the results of its IBF activities in its entire net income or alternative entire net income allocation percentages.

A corporation that is not doing business outside New York State and that has elected to use the IBF formula allocation method must allocate taxable assets 100% to New York State.

In determining whether a corporation is doing business outside New York State, consideration is given to the same factors used to determine if business is being carried on within New York State. See definition of *Doing Business Within New York State* on page 3 of these instructions. A corporation that claims to be doing business outside New York State must attach a statement describing the activities of the corporation within and outside New York State.

Each allocation percentage is determined by a formula consisting of a payroll factor, receipts factor and deposits factor.

The receipts factor includes only receipts that are included in the computation of alternative entire net income for the tax year. The deposits and payroll factors shall include only deposits and payroll, the expenses of which are included in the computation of alternative entire net income for the tax year. Each factor is computed on a cash or accrual basis according to the method of accounting used by the taxpayer for the tax year in computing its alternative entire net income.

Payroll Factor

The percentage of a corporation's payroll allocated to New York State is determined by dividing 80% (100% when computing the alternative entire net income allocation percentage) of the wages, salaries and other personal service compensation of the corporation's employees, except general executive officers, within New York State during the period the corporation is entitled to allocate by the total amount of wages, salaries and other personal service compensation of the corporation's employees, except general executive officers, both within and outside New York State during the period the corporation is entitled to allocate.

The term *employees* includes every individual, except general executive officers, where the relationship existing between the corporation and the individual is that of employer and employee. The phrase *employees within New York State* includes all employees regularly connected with or working out of an office of the corporation within New York State, irrespective of where the services of such employees were performed.

The phrase *general executive officer* includes every officer of the corporation charged with and performing general executive duties of the corporation who is elected by the shareholders, elected or appointed by the board of directors, or if initially appointed by another officer, such appointment must be ratified by the board of directors. A general executive officer must have company-wide authority with respect to assigned functions or duties or must be responsible for an entire division of the company.

Receipts Factor

The percentage of the taxpayer's receipts allocated to New York State is determined by dividing 100% of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan) and financing leases and all other business receipts earned within New York State during the period the taxpayer is entitled to allocate by the total amount of the taxpayer's receipts from loans

(including the taxpayer's portion of a participation in a loan) and financing leases and all other business receipts earned within and outside New York State during the period the taxpayer is entitled to allocate.

Interest Income From Loans and Financing Leases

Interest income from loans and financing leases is allocated to New York State if such income is attributable to a loan or financing lease that is located in New York State. Interest income from a loan or financing lease does not include repayments of principal. A loan or financing lease is located where the greater portion of income producing activity relating to the loan or financing lease occurred.

Except for a taxpayer that is a production credit association or a corporation described on page 3 of these instructions under *Who Must File,* item D, a loan or financing lease attributed by the taxpayer to a branch outside New York State shall be presumed to be properly so attributed provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of income producing activity related to the loan or financing lease did not occur at such branch. In the case of a loan or financing lease that is recorded on the books of a place outside New York State that is not a branch, it shall be presumed that the greater portion of income producing activity related to such loan or financing lease occurred within New York State if the taxpayer had a branch within New York State at the time the loan or financing lease was made. The taxpayer may rebut such presumption by demonstrating that the greater portion of income producing activity related to the loan or financing lease did not occur within New York State.

In the case of a taxpayer that is a production credit association or a corporation described on page 3 of these instructions under *Who Must File,* item D, a loan or financing lease attributed by the taxpayer to a bona fide office outside New York State shall be presumed to be properly so attributed provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of income producing activity related to the loan or financing lease did not occur outside New York State.

Income producing activity includes such activities as: solicitation, investigation, negotiation, approval and administration of the loan or financing lease. A loan or financing lease is made when such loan or financing lease is approved. The term *loan* means any loan, whether the transaction is represented by a promissory note, security, acknowledgement of advance, due bill or any other form of credit transaction, if the related asset is properly recorded in the financial accounts of the taxpayer. Loans include the taxpayer's portion of a participation in a loan. The term *financing lease* means a lease where the taxpayer is not treated as the owner of the property for purposes of computing alternative entire net income.

Other Income From Loans and Financing Leases

Other income from loans and financing leases includes, but is not limited to, arrangement fees, commitment fees and management fees but does not include repayments of principal. Other income from loans and financing leases is allocated to New York State when the greater portion of income producing activity relating to such income is within New York State.

Lease Transactions and Rents

Receipts from real property and tangible personal property leased or rented from the corporation are allocated to New York State if such property is located in New York State. Receipts from rentals include all amounts received by the corporation for the use of or occupation of property, whether or not such property is owned by the taxpayer. Gross receipts received from real property and tangible personal property that is subleased must be included in the receipts factor.

Interest From Bank, Credit, Travel, Entertainment, and Other Card Receivables

Interest, fees in the nature of interest, and penalties in the nature of interest from bank, credit, travel, entertainment, and other card receivables are allocated to New York State if the card holder's domicile is in New York State. It is presumed that the card holder's domicile and billing address are the same.

Service Charges and Fees From Bank, Credit, Travel, Entertainment and Other Cards

Service charges and fees from bank, credit, travel, entertainment, and other cards are allocated to New York State if the card is serviced within New York State. A card is serviced at the place where the records pertaining to such account are kept and managed.

Receipts From Merchant Discounts

Receipts from merchant discounts are allocated to New York State if the merchant is located within New York State. If a merchant has locations both within and outside New York State, only receipts from merchant discounts attributable to sales made from locations within New York State are allocated to New York State. It shall be presumed that the location of the merchant is the address of the merchant shown on the invoice submitted by the merchant.

Income From Trading Activities and Investment Activities

The portion of total net gains and other income from trading activities (including but not limited to foreign exchange, options, and financial futures) and investment activities that is attributed within New York State shall be ascertained by multiplying such total net gains and other income by a fraction the numerator of which is the average value of trading assets and investment assets attributable to New York State and the denominator of which is the average value of all trading and investment assets. A trading asset or investment asset is attributable to New York State if the greater portion of income producing activity related to the trading asset or investment asset occurred within New York State. Trading activities include, but are not limited to, foreign exchange transactions, the purchase and sale of options and financial futures, and, in appropriate cases, interbank fund transfers.

Interbank fund transfers include, but are not limited to, trading in negotiable certificates of deposit, currency swaps, interest rate swaps, eurodollar transfers (purchases or sales), federal funds (sales, transfers and purchases) and repurchase agreements representing transfer of funds.

Fees or Charges From Letters of Credit, Traveler's Checks, and Money Orders

Fees or charges from the issuance of letters of credit, traveler's checks and money orders are allocated to New York State if such letters of credit, traveler's checks or money orders are issued within New York State.

Performance of Services

Receipts for services performed by the taxpayer's employees regularly connected with or working out of a New York State office of the taxpayer are allocated to New York State if such services are performed within New York State.

When allocating receipts for services performed, it is immaterial where such receipts are payable or where they are actually received.

Where services are performed both within and outside New York State, the portion of the receipts attributable to services performed within New York State is determined on the basis of the relative value of, or amount of time spent in performance of, such services within New York State, or by some other reasonable method. Full details must be submitted with the taxpayer's return.

Royalties

Receipts of royalties from the use of patents, copyrights and trademarks are allocated to New York State if the taxpayer's actual seat of management or control is located in New York State. Royalties include all amounts received by the taxpayer for the use of patents, copyrights or trademarks, whether or not such patents, copyrights or trademarks were issued to the taxpayer.

All Other Business Receipts

Income from securities used to maintain reserves against deposits to meet federal and state reserve requirements shall be allocated to New York State based upon the ratio that total deposits in New York State bears to total deposits everywhere.

All other business receipts earned by the taxpayer in New York State are allocated to New York State.

A receipt from the sale of a capital asset is not a business receipt and is not included in the receipts factor. For example, the receipt from the sale of a capital asset as scrap or at a gain is not included in the receipts factor.

Deposits Factor

The percentage of the taxpayer's deposits allocated to New York State is determined by dividing the average value of deposits maintained at branches of the taxpayer within New York State during the period the taxpayer is entitled to allocate by the average value of all deposits maintained at branches of the taxpayer both within and outside New York State during the period the taxpayer is entitled to allocate.

The term *deposit* means:

— the unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or that is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler's check on which the bank is primarily liable; provided, that, without limiting the generality of the term *money or its equivalent,* any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection;

— trust funds received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank;

— money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers' reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advanced payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes; provided, that there shall not be included funds that are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness;

— outstanding drafts (including advice or authorization to charge a bank's balance in another bank), cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the bank itself.

A deposit is maintained at the branch of the taxpayer at which it is properly booked.

A deposit, the value of which at all times during the tax year was less than $100,000, that is booked by a taxpayer at a branch outside New York State is presumed to be properly booked, provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of contact relating to the deposit did not occur at such branch.

A deposit, the value of which at any time during the tax year was $100,000 or more, is considered to be properly booked at the branch with which it has a greater portion of contact.

In determining whether a deposit has a greater portion of contact with a particular branch, consideration is given to such activities as:

— whether the deposit account was opened at or transferred to that branch by or at the direction of the depositor or by a broker of deposits, regardless of where subsequent deposits or withdrawals may be made;

— whether employees regularly connected with that branch are primarily responsible for servicing the depositor's general banking and other financial needs;

— whether the deposit was solicited by an employee regularly connected with that branch, regardless of where such deposit was actually solicited;

— whether the terms governing the deposit were negotiated by employees regularly connected with that branch, regardless of where the negotiations were actually conducted; and

— whether essential records relating to the deposit are kept at that branch and whether the deposit is serviced at that branch.

The value of deposits maintained at branches of the taxpayer is the total of the amounts credited to depositors, including the amount of any interest so credited. The average value of deposits is to be computed on a daily basis. However, if the taxpayer's usual accounting practices do not permit the computation of average value on a daily basis, a computation on a weekly basis will be permitted. The Commissioner of Taxation and Finance will not permit the computation of average value of deposits on a basis less frequent than weekly, unless the taxpayer demonstrates that requiring it to use a weekly computation would produce an undue hardship.

Allocation Percentage for Taxpayers with an International Banking Facility (IBF) Located in New York State

A corporation with an IBF located in New York State that uses the IBF modification must, when computing its entire net income allocation percentage and its alternative entire net income allocation percentage:

— Exclude from the numerator and denominator of the payroll factor, the wages, salaries, and other personal service compensation of employees the expenses of which are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator and denominator of the receipts factor those receipts that are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator and denominator of the deposits factor, deposits the expenses of which are attributable to the production of eligible gross income of the IBF.

A corporation that has an IBF located in New York State and that has elected to use the IBF formula allocation method, must, when computing its entire net income allocation percentage and its alternative entire net income allocation percentage:

— Exclude from the numerator of the payroll factor, the wages, salaries and other personal service compensation of employees the expenses of which are attributable to the production of eligible gross income of the IBF. Include in the denominator of the payroll factor, the wages, salaries and other personal service compensation of employees, except general executive officers, the expenses of which are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator but include in the denominator of the receipts factor those receipts that are attributable to the production of eligible gross income of the IBF.

— Exclude from the numerator but include in the denominator of the deposits factor, deposits the expenses of which are attributable to the production of eligible gross income to the IBF.

Every corporation that has an IBF located in New York State (whether or not it has elected to use the IBF formula allocation method) must compute its taxable assets allocation percentage as follows:

— Include in the numerator and denominator of the payroll factor wages, salaries and personal service compensation of employees, except general executive officers, the expenses of which are attributable to the production of eligible gross income of the IBF.

— Include in the numerator and denominator of the receipts factor receipts that are attributable to the production of eligible gross income of the IBF.

— Include in the numerator and denominator of the deposits factor deposits and expenses that are attributable to the production of eligible gross income of the IBF.

For the purpose of computing the allocation percentages, eligible gross income does not include transactions between the taxpayer's foreign branches and its IBF.

Schedule F

A corporation with an **IBF** located in New York may do one of the following:

— deduct from entire net income on Schedule B, line 26, the adjusted eligible net income of the IBF computed on Schedule F, line 24 (i.e., IBF modification). A corporation that makes the IBF modification must complete Schedule F, lines 1 through 24; or

— make an election not to deduct from entire net income on Schedule B, line 26, the adjusted eligible net income of the IBF (i.e., IBF formula allocation method). The election to use the IBF formula allocation method must be made within 45 days of the beginning of its tax year. The election must be in writing and addressed to: NYS Tax Department, COAB Corporation Tax, W A Harriman Campus, Albany NY 12227. **The election must be made on an annual basis, is binding for that year, and cannot be changed by filing an amended return.** A corporation that elects to use the IBF formula allocation method must complete Schedule F, lines 1 through 5.

See *Allocation Percentage for Taxpayers with an International Banking Facility Located in New York State* above, for the effect of IBF modification and IBF formula allocation method on entire net income allocation percentage, alternative entire net income allocation percentage, and taxable assets allocation percentage.

Schedule G

Each corporation included in the combined return, if applicable, must complete a separate Schedule G when the computation of New York depreciation on property differs from federal depreciation (do not include depreciation adjustments required to be included on Form CT-399).

Part I

At the election of the taxpayer, up to double the amount of federal depreciation on qualified tangible property (except personal property leased to others) may be deducted in lieu of the amount of normal depreciation. The original use of such property must commence with the taxpayer and the property must be (1) depreciable tangible property as defined by section 167 of the IRC, (2) constructed or acquired after December 31, 1963, and on or before December 31, 1967, and (3) have a situs in New York. The total deduction of all years, including years covered by Articles 9-B or 9-C with respect to any unit of property, may not exceed the cost of such property. Any unused optional depreciation may be carried forward to succeeding years. The amount of carryover is determined by limiting allocated entire net income (Schedule B, line 34) to zero.

Part II

Include property on which the method of depreciation under Article 9-B or 9-C was different than that used for federal purposes.

Schedule H

Each corporation included in the combined return, if applicable, must complete a separate Schedule H when the computation of New York gain or loss on disposition of property differs from federal gain or loss (do not include disposition adjustments required to be included on Form CT-399).

In computing gain, enter the higher of cost or fair market price or value at applicable date. In computing loss, enter the lower of cost or fair market price or value at applicable date.

Upon sale or disposition, the net gain or loss thereon should be computed by adjusting the federal basis of such property to reflect the total deductions allowed for all years, including years covered by Articles 9-B or 9-C.

If more than one corporation in the combined return is required to complete Schedule F, G or H, photocopy the applicable schedule, include the name and employer identification number of the corporation and attach the completed schedule to Form CT-32-A.

Schedule I

Computation of the Issuer's Allocation Percentage

The parent corporation must compute its issuer's allocation percentage on Form CT-32-A, page 8, Schedule I. Each member corporation computes its issuer's allocation percentage on Form CT-32-A/C. See Form CT-32-A/C Instructions for details.

The issuer's allocation percentage is computed using one of three methods. Determine which one of the three methods applies and compute the issuer's allocation percentage on the appropriate form. Section 1085(o) of the Tax Law provides for a penalty of $500 for failure to provide the information necessary to compute the issuer's allocation percentage.

Method I. A banking corporation (excluding corporations described in *Who Must File,* item D) organized under the laws of the United States, New York State, or any other state enters as its issuer's allocation percentage the alternative entire net income allocation percentage on Form CT-32-A, Schedule E, Part II, line 47.

Method II. A banking corporation (excluding corporations described in *Who Must File,* item D) organized under the laws of a country other than the United States enters as its issuer's allocation percentage the percentage determined by dividing gross income within New York State by worldwide gross income.

— Enter as gross income within New York State total receipts as shown in Form CT-32-A, Schedule E, Part I, line 16.

— Enter as worldwide gross income total receipts as shown on Form CT-32-A, Schedule E, Part I, column A, line 28, plus all receipts as defined on lines 17 through 27, from sources outside the United States that were **not** taken into account in computing federal taxable income.

— A corporation with an IBF located in New York State must include in the numerator and denominator of the issuer's allocation percentage receipts as defined on Form CT-32-A, Schedule E, Part I, Column A, lines 5 through 15 and lines 17 through 27 that are attributable to the production of eligible gross income of the IBF.

— When the receipts shown in the computation of the issuer's allocation percentage are different than the receipts shown on Form CT-32-A, Schedule E, Part I, attach an explanation.

Method III. Every corporation owned by a bank or a bank holding company as defined by *Who Must File*, item D, and every bank holding company that is included in a combined return, enters as its issuer's allocation percentage the percentage determined by dividing business and subsidiary capital allocated to New York State by total worldwide capital.

Computation of Subsidiary Capital Allocated to New York State

Column A

Enter the full name and federal employer identification number of each subsidiary. Subsidiary corporation is defined by section 1450(d) of the Tax Law and instructions for Form CT-32-A, Schedule B, line 22.

Column C

Enter the average value of each subsidiary. The average value is computed on a quarterly, monthly, weekly or daily basis. Use the same basis of averaging subsidiary capital used to average total assets on Form CT-32-A, Schedule D, line 1. Subsidiary capital is defined by section 1450(e) of the Tax Law and instructions for Form CT-32-A, Schedule B, line 22.

Column D

Enter the average value of current liabilities attributable to each subsidiary. The average value is computed on a quarterly, monthly, weekly or daily basis. Use the same basis of averaging current liabilities used to average subsidiary capital in column C.

Column F

Enter the issuer's allocation percentage for each subsidiary. The issuer's allocation percentage is obtained from the New York State corporation franchise tax return filed by the subsidiary corporation for the preceding year.

Issuer's allocation percentages may be obtained in Tax Service Publications or by written request (in duplicate) to: **NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227, telephone 1 800 972-1233**.

Computation of Business Capital Allocated to New York State

Line 2 — Enter the average value of total assets as computed on Form CT-32-A, Schedule D, line 1.

Line 3 — Deduct the total average value of current liabilities that are properly reflected on a balance sheet. The average value is computed on a quarterly, monthly, weekly or daily basis.

Use the same basis of averaging current liabilities as used to average total assets on Form CT-32-A, Schedule D, line 1. Current liabilities are any liabilities maturing in one year or less from the date originally incurred.

Line 4 — Deduct the total net average value of subsidiary capital as computed on Form CT-32-A, column E, line 1.

Computation of the Issuer's Allocation Percentage

Line 9 — Enter as total worldwide capital the average value of total assets as computed on Form CT-32-A, Schedule D, line 1, plus the average value of all assets from sources outside the United States that were **not** taken into account in computing federal taxable income.

When computing assets from sources outside the United States, compute the average value of such assets in the same manner as the average value of total assets on Form CT-32-A, Schedule D, line 1.

Deduct from total assets the total average value of current liabilities maturing in one year or less from the date originally incurred. Compute the average value of such current liabilities in the same manner as the average value of total assets.

Where the assets shown in the computation of the issuer's allocation percentage are different than the assets shown on Form CT-32-A, Schedule D, line 1, attach an explanation.

Federal Changes and Amended Returns

A banking corporation is required to file an amended return with New York State if its federal taxable income or federal alternative minimum taxable income is changed as a result of:

— a final federal determination, or

— the filing of an amended federal return with the IRS.

The amended return is filed on Form CT-32 or Form CT-32-A with the words ***Amended Return*** written across the top. A copy of the federal revenue agent's report or the amended federal return should be attached to the amended return.

A banking corporation that files Form CT-32 on a separate basis, is required to file an amended return on Form CT-32 within 90 days after the final federal determination or the filing of an amended federal return.

A banking corporation that files Form CT-32-A on a combined basis, is required to file an amended return on Form CT-32-A as follows:

— within 90 days, or

— within 120 days (if the final federal determination or the filing of an amended federal return was made after November 30, 1993).

If you are required to file a federal change or amended return with New York State, attach amended Form CT-32 or amended Form CT-32-A to New York State Form CT-3360, *Federal Changes to Corporate Taxable Income.*

The Corporate Tax Procedure and Administration provisions of Article 27 and Article 32 Regulation sections 21-1.3, 21-1.4, and 21-4.2, that existed prior to the above 120-day amendment, remain in effect to the extent these laws and regulations are not inconsistent with the 120-day amendment.

Privacy Notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions, and forms, is found in Articles 8, 9, 9-A, 13, 19, 27, 32, 33, and 33-A of the Tax Law; and 42 USC 405(c)(2)(C)(i).

The Tax Department will use this information primarily to determine and administer corporate tax liabilities under the Tax Law, for certain tax refund offsets, and for any other purpose authorized by law.

Failure to provide the required information may result in civil or criminal penalties, or both, under the Tax Law.

This information will be maintained by the Director of the Registration and Data Services Bureau, NYS Tax Department, Building 8 Room 924, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.

Need Help?

Telephone Assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday. **For business tax information and forms,** call the Business Tax Information Center at 1 800 972-1233. **For general information,** call toll free 1 800 225-5829. **To order forms and publications,** call toll free 1 800 462-8100. **From areas outside the U.S. and outside Canada,** call (518) 485-6800.

Fax-on-Demand Forms Ordering System - Most forms are available by fax 24 hours a day, 7 days a week. Call toll free from the U.S. and Canada 1 800 748-3676. You must use a Touch Tone phone to order by fax. A fax code is used to identify each form.

Internet Access - http://www.tax.state.ny.us

Access our website for forms, publications, and information.

Hotline for the Hearing and Speech Impaired - If you have access to a telecommunications device for the deaf (TDD), you can get answers to your New York State tax questions by calling toll free from the U.S. and Canada 1 800 634-2110. Assistance is available from 8:30 a.m. to 4:15 p.m. (eastern time), Monday through Friday. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

Persons with Disabilities - In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call the information numbers listed above.

Mailing Address - If you need to write, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227.

1998 Highlights
Summary of 1998 Changes Affecting Article 32 Taxpayers

New Credits

Credit for Employment of Persons with Disabilities (Form CT-41) — For tax years beginning on or after January 1, 1998, corporations subject to tax under Articles 9, 9-A, 32, and 33 may claim a tax credit of up to $2,100 per employee for employing persons with disabilities.

Investment Tax Credit for the Financial Services Industry — The Tax Law has been amended to make certain property used in the financial services industry eligible for the investment tax credit. The property must be placed in service on or after October 1, 1998, and before October 1, 2003. General business corporations (Article 9-A) and banks (Article 32) may file Form CT-44, *Claim for Investment Tax Credit for the Financial Services Industry.*

Qualified Emerging Technology Investments - Deferred Gains — Corporations taxable under Articles 9-A, 32, and 33 may defer the gain on the sale of qualified emerging technology investments (QETI) which are (1) held for more than 36 months and (2) rolled over into the purchase of a new QETI within 365 days. The gain deferral applies to any QETI sold on or after March 12, 1998.

North American Industry Classification System

New York State is following the federal government's transition to the North American Industry Classification System for classifying business activity. Please enter the business activity code from your federal return and check the appropriate box on page 1 of your return.

Nexus

A corporation organized under the laws of another country will not have nexus if its activities are limited solely to investing or trading in stocks and securities for its own account pursuant to IRC § 864 (b)(2)(A)(ii), or investing or trading in commodities for its own account pursuant to IRC § 864 (b)(2)(B)(ii), or any combination of these activities.

Please note the following important information about combined filing:

- **Extension of Time to File – Franchise Tax – Combined Group**

  Use Form CT-5.3, *Request for Six-Month Extension to File (Combined Franchise Tax Return, Combined MTA Surcharge Return, or Both)*, to request a six-month extension of time to file Form CT-32-A and Form CT-32-M. This form requires detailed information about the group, including names, identification numbers and the amounts and kinds of payments made by the members of the group. Form CT-5.3 **does not** extend the time for payment of the franchise tax, MTA surcharge, or mandatory first installments.

  Only the parent must file Form CT-32-M, *Banking Corporation MTA Surcharge Return*, if any corporation in the combined group does business, employs capital, owns or leases property or maintains an office in the Metropolitan Commuter Transportation District.

- **Estimated Taxes for MTA Surcharge**

  When filing Form CT-5.3 to request an extension of time to file a combined tax return, you must include any MTA surcharge due in the amount of estimated tax you pay.

- **Unrequested Refunds to be Credited Forward**

  If you overpay your tax, you will not automatically receive a refund. Instead, we will credit your overpayment to the following tax year unless you request a refund. We will notify you that the overpayment has been credited and explain how to request a refund of the credited amount. If you choose to request a refund of such credited amount, you must claim a refund of such overpayment prior to the original due date of the following year's return.

Your Rights Under the Tax Law

The Taxpayer Bill of Rights requires, in part, that the Tax Department advise you, in writing, of your rights and obligations during an audit, when appealing a Tax Department decision and when your appeal rights have been exhausted and you need to understand enforcement capabilities available to the Tax Department to obtain payment. For a complete copy of the information contained in all of these statements, you may request Publication 131, *Your Rights and Obligations Under the Tax Law*, by calling toll free 1 800 462-8100. From areas outside the U.S. and outside Canada, call (518) 485-6800.

CT-32-A-P **1998**

When preparing and mailing your 1998 Banking Corporation Combined Franchise Tax Return, please be sure to:

- Read the instructions.
- Use the correct forms.
- Use the preaddressed label. It will assist in the proper recording of your franchise tax return. Keep a record of your label information.
- If you are not using the label, include the appropriate name, identification number and file number on each Form CT-32-A/C attached, and use the name, identification number and file number of the parent corporation (the corporation paying the combined tax) on Form CT-32-A.
- Have the appropriate individuals sign the completed Form CT-32-A and Form(s) CT-32-A/C.
- Attach a completed copy of your federal return to your Form CT-32-A.
- Attach Forms CT-32-A/C, CT-32-A/B and all other schedules you are required to file.
- Attach appropriate tax credit forms if you made an entry on Form CT-32-A, Schedule A, line 6.
- Attach Form CT-51, *Combined Filer Statement for Newly Formed Groups Only,* or Form CT-50, *Combined Filer Statement*.
- Make your check payable to: ***New York State Corporation Tax***
- Mail your return to: **NYS CORPORATION TAX**
  PROCESSING UNIT
  PO BOX 22038
  ALBANY NY 12201-2038

Private Delivery Services

The date recorded or marked by certain private delivery services, as designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance, will be treated as a postmark, and that date will be considered to be the date of delivery in determining whether your return was filed on time. The private delivery service can tell you how to get written proof of this date. If you use **any** private delivery service, address your return to: **State Processing Center, 431C Broadway, Menands, NY 12204**.

The current designated delivery services are:

1. Airborne Express (Airborne):
   Overnight Air Express Service
   Next Afternoon Service
   Second Day Service
2. DHL Worldwide Express (DHL):
   DHL Same Day Service
   DHL USA Overnight
3. Federal Express (FedEx):
   FedEx Priority Overnight
   FedEx Standard Overnight
   FedEx 2 Day
4. United Parcel Service (UPS):
   UPS Next Day Air
   UPS Next Day Air Saver
   UPS 2nd Day Air
   UPS 2nd Day Air A.M.

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