



If New York City net earnings cannot be determined from the books and records, make the allocation by multiplying total net earnings from self-employment by the average of the following three percentages:

1. The property percentage is computed by dividing (a) the average value of real and tangible personal property connected with net earnings from self-employment and located in New York City, by (b) the average value of all real and tangible personal property connected with the net earnings from self-employment and located both in and out of the city. Include both owned and rented real property.

The average value of the property is determined by (1) adding its adjusted basis at the beginning of the taxable year to its adjusted basis at the end of the taxable year and (2) dividing by two.

2. The payroll percentage is computed by dividing (a) the total wages, salaries and other personal service compensation paid or incurred during the taxable year to employees in connection with the net earnings from self-employment derived from a trade or business carried on in New York City, by (b) the total of all wages, salaries and other personal service compensation paid or incurred during the taxable year to employees in connection with the net earnings from self-employment derived from a trade or business carried on both in and out of the city.

3. The gross income percentage is computed by dividing (a) the gross sales or charges for services performed by or through an agency located in New York City, by (b) the total of all gross sales or charges for services performed in and out of the city. Allocate to New York City all sales negotiated or consummated, and charges for services performed by an employee, agent, agency, or independent contractor chiefly situated at, connected by contract or otherwise with, or sent out from, offices or other agencies of the trade or business situated in the city and from which the estate or trust is deriving net earnings from self-employment.

Special rule for real estate

Income and deductions from the rental of real property and gain and loss from the sale, exchange or other disposition of real property are not subject to allocation but are considered entirely derived from or connected with the place where the property is located.

Calculation of Earnings Tax

The estate or trust is not liable for New York City earnings tax on nonresidents in an amount greater than it would be required to pay if it were a New York City resident estate or trust subject to tax on personal income of resident estates or trusts. Use Form IT-205 and instructions to determine the tax liability as if a resident estate or trust.

Example: If the estate or trust had losses that entered into the computation of its taxable income computed as if a resident, or if it would qualify to claim any city of New York tax credits when computing its tax as if a resident, then the city tax computed as a resident may be lower than the actual city of New York nonresident earnings tax computed. The fiduciary would therefore be allowed to pay the amount of tax computed as a city resident. If the amount of tax computed as a New York City resident is less than its New York City nonresident earnings tax, attach a separate schedule to Form NYC-206 showing the computation. Enter the computed New York City resident tax on line 13 of Form NYC-206.

Line 1 Gross wages and other employee compensation — The definitions of *wages and other employee compensation* are in the fiduciary income tax return packet, IT-205-P, under *City Nonresident Fiduciary Earnings Tax*. Enter on line 1 the wages or other employee compensation earned during the taxable year. See the preceding instructions if allocation is required.

Line 2 Allowable exclusion — The estate or trust is allowed an exclusion against the total wages and net earnings from self-employment received during the taxable year. Use the *Exclusion Table* on this page to figure the amount of the exclusion.

If the estate or trust had only wages during the taxable year, enter the allowable exclusion on line 2.

If the estate or trust had only net earnings from self-employment, enter the allowable exclusion on line 10.

If the estate or trust had both wages on line 1 and net earnings from self-employment on line 9 during the taxable year, prorate the exclusion and enter the amount to be excluded from wages on line 2 and the amount to be excluded from net earnings from self-employment on line 10. For example, if an estate or a full year nonresident trust had wages of \$15,000 and net earnings from self-employment of \$5,000, the total income of \$20,000 would entitle it to an exclusion of \$2,000. Since the wages are 75% of the total income, the estate or trust would enter 75% of the \$2,000 exclusion (\$1,500) on line 2. It would then enter the remainder of the exclusion (\$500) on line 10.

If a trust changed its residence to or from New York City during its taxable year, or if an estate or trust had a taxable period of less than one year, then that estate or trust has to prorate its allowable exclusion. To do this, count any period of more than one-half month as a full month; do not count any period of one-half month or less. Then use the *Exclusion Table* below to find the amount of the estate's or trust's allowable exclusion.

Exclusion Table (for lines 2 and 10)

No. of months of city of New York nonresidence or of short taxable year	Total of Wages and Net Earnings* (sum of lines 1 and 5)					
	over \$ 0	but not over \$10,000	over \$10,000	but not over \$20,000	over \$20,000	but not over \$30,000
12	\$3,000		\$2,000		\$1,000	
11	2,750		1,833		917	
10	2,500		1,667		833	
9	2,250		1,500		750	
8	2,000		1,333		667	
7	1,750		1,167		583	
6	1,500		1,000		500	
5	1,250		833		417	
4	1,000		667		333	
3	750		500		250	
2	500		333		167	
1	250		167		83	

* If the total of wages and net earnings exceeds \$30,000 for the year, there is no exclusion amount.

Line 5 Net earnings from self-employment — Net earnings from self-employment is also defined in the fiduciary income tax return packet, IT-205-P, under *City Nonresident Fiduciary Earnings Tax*. Enter the net earnings for the taxable year. This is the amount reported on federal Form 1040, Schedule SE, *Self-Employment Tax*, Section A, line 4 or Section B, line 4c, minus the deduction for wages or salaries paid or incurred for the taxable year that was disallowed according to section 280C of the Internal Revenue Code (IRC). See the preceding instructions if allocation is required. Attach a detailed statement showing the computation of the net earnings, including the gross income from the underlying trade or business and the deductions prescribed in section 1402(a) of the IRC.

Line 6 — Enter any amount included on line 5 that was paid or permanently set aside for charitable purposes in accordance with section 642(c) of the IRC.

Line 8 — Enter any amount included on line 5 that was distributed or distributable to New York City residents in accordance with sections 651 or 661 of the IRC.

Line 10 Allowable exclusion — See the instructions for line 2 of this form and use the *Exclusion Table* above to figure the estate's or trust's allowable exclusion.

Line 13 Total nonresident earnings tax — Add lines 4 and 12. Enter the total on line 13 and on New York State Form IT-205, line 24. Attach Form NYC-206 to the back of Form IT-205.

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 22, 26, 26-A, 26-B, 30, 30-A, and 30-B of the Tax Law; Article 2-E of the General City Law; and 42 USC 405(c)(2)(C)(i).

The Tax Department will use this information primarily to determine and administer tax liabilities due the state and city of New York and the city of Yonkers. We will also use this information for certain tax offset and exchange of tax information programs authorized by law, and for any other purpose authorized by law.

Information concerning quarterly wages paid to employees and identified by unique random identifying code numbers to preserve the privacy of the employees' names and social security numbers will be provided to certain state agencies for research purposes to evaluate the effectiveness of certain employment and training programs.

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.