Instructions for Form CT-47

Claim for Farmers' School Tax Credit

Introduction

For tax years beginning in 1997 and thereafter, a corporation engaged in the business of farming may be entitled to a corporation franchise tax credit for the school district property taxes paid on qualified agricultural property. In addition, if a partnership (including a limited liability company treated as a partnership) is engaged in the business of farming or owns qualified agricultural property, a corporation that is a partner of the partnership may be entitled to the credit. If the credit exceeds the taxpayer's tax for the year, the excess credit may be carried over to following years, or, at the taxpayer's option, be refunded, without interest. For more information see Publication 51, *Questions and Answers on New York's Farmers' School Tax Credit* .

Note: References to a *partnership* and *partner* in these instructions include an LLC (Limited Liability Company) that is treated as a partnership for federal income tax purposes and a corporate member of such an LLC.

Changes for 1999

Qualified agricultural property purchased under a *land sales contract* will now be considered owned by the buyer if (1) the buyer is obligated under the land sales contract to pay the school district property taxes on the purchased property, and (2) the buyer is entitled to deduct those taxes as a tax expense for federal income tax purposes. Accordingly, the buyer, if an eligible farmer, will be entitled to claim the credit (subject to the credit limitation based on income). A *land sales contract,* commonly referred to as an *installment land contract,* is an agreement to transfer land ownership in exchange for a series of principal and interest payments. The seller does not transfer formal title to the property to the buyer until all or a certain number of payments are made. In addition to an *installment land contract,* a land sales contract may also be referred to as *contract for deed, bond for deed, conditional sale of real estate, contract for sale of land,* and *land contract.* A *lease with an option to purchase* type arrangement is not a land sales contract.

General information

Purpose of form

Form CT-47 is used to determine if you are eligible to claim the farmers' school tax credit and to determine the amount of the credit. If you are engaged in the business of farming (see below), complete Part I of Form CT-47 to determine if you are eligible to claim the farmers' school tax credit.

You are **engaged in the business of farming** if you cultivate, operate, or manage a farm for gain or profit, even though the operation may not produce a profit every year. You are also engaged in the business of farming if you are a partner in a partnership (including a member of an LLC that is treated as a partnership for federal income tax purposes) that operates or manages a farm for gain or profit.

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

A. The amount of the rental is a crop share (shared rental agreement), that is, the amount of rent is based upon the actual production of the land, whether paid to you in cash or in kind, **or**

B. You have an arrangement with your tenant for your participation in the farm business and you meet **one** of the following four tests:

1. You do **any** three of the following: (1) pay or stand good for at least half of the direct costs of producing the crop; (2) furnish at least half of the tools, equipment and livestock used in producing the crop; (3) consult with your tenant; and (4) inspect the production activities periodically.
2. You regularly and frequently make, or take an important part in making, management decisions substantially contributing to or affecting the success of the enterprise.
3. Your employees work 100 hours or more, spread over a period of 5 weeks or more, in activities connected with crop production.
4. You do things which, considered in their total effect, show that you are materially and significantly involved in the production of farm commodities.

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

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

Farming also includes the sale of wine from a licensed farm winery, as provided in Article 6 of the Alcoholic Beverage Control Law.

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

How to claim the credit

File Form CT-47 if you are a corporation or a corporate partner in a partnership and you qualify for the farmers' school tax credit.

Corporate partners: When computing this credit, include the corporate partner's pro rata share of the partnership's qualified agricultural property and eligible taxes, as well as any other relevant information used to compute the credit.

New York S Corporations: Do **not** complete this form. Instead, include the shareholder's amounts of qualified property and eligible school taxes paid on Form CT-34-SH .

Part I — Eligibility

Use this part to determine if you are eligible to claim the farmers' school tax credit.

Item A — If you owned qualified agricultural property during the tax year beginning in 1999, or were a partner in a partnership that owned qualified agricultural property during the tax year beginning in 1999, check the *Yes* box.

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

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

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

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

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

Note: Any buildings and structures used to process maple sap into syrup, apples into cider, or grapes into wine, are considered qualified agricultural property, even though the property is used in processing.

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

A *residence* includes a house, manufactured home or housing, etc., and any other buildings associated with it, such as garages or sheds, that are used for residential purposes.

Item B — If you paid eligible school district property taxes on qualified property during the tax year beginning in 1999, check the *Yes* box.

Eligible school district taxes are real property taxes levied by a school district on qualified agricultural property **owned** by you, including taxes paid by an eligible farmer on qualified agricultural property under a land sales contract for the future purchase of the property. Qualified agricultural property purchased under a land sales contract is considered owned by the farmer if the farmer is obligated under the contract to pay the school district property taxes and is entitled to deduct those taxes as a tax expense for federal income tax purposes.

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

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

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

Item C — In order for you to qualify for this credit, the amount shown on Worksheet A, line 3 below must be less than $150,000.

Worksheet A

1 Enter your entire net income from Form CT-3 or CT-3-A, line 17 .... **1** ______

2 Enter the amount of **principal** paid on farm indebtedness during 1999 *(see instructions below)* .... **2** ______

3 Subtract line 2 from line 1. If result is less than $150,000, check the *Yes* box for question C .... **3** ______

Farm indebtedness is debt incurred or refinanced that is secured by farm property, where the proceeds of the debt are used for expenditures incurred in the business of farming. Debt or that portion of debt that is secured by a residence does not qualify, even if the proceeds of the loan are used for farm expenditures.

Item D — Complete *Worksheet B* below.

Worksheet B
Keep for your records.

1	Add the amounts on federal Form 1120 or 1120-A, lines 3 through 7, and 10 *(see instructions)*	**1**	
2	Add the gain (not loss) amounts on federal Schedule D (Form 1120), column (f), lines 1, 2, 3, 6, 8, and 9 *(see instructions)*	**2**	
3	Add the gain (not loss) amounts on federal Form 4797, column g, lines 2 through 6, 10, and 13 through 17 *(see instructions)*	**3**	
4	Add the amounts on federal Schedule K-1 (Form 1065), lines 15b and 15c (minus any partnership items included on lines 1 through 3)	**4**	
5	Add lines 1 through 4. This is your federal gross income	**5**	
6	Subtract $30,000 from line 5. This is your excess federal gross income	**6**	
7	Gross profit from farming included on federal Form 1120 or 1120-A, line 3 *(see instructions)*	**7**	
8	Gross rents from certain rentals of farm property included on federal Form 1120 or 1120-A, line 6 *(see instructions)*	**8**	
9	Add the amounts on federal Form 4797, column g, that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes *(see instructions)*	**9**	
10	Enter the amount from federal Schedule K-1 (Form 1065), line 15b *(see instructions)*	**10**	
11	Add lines 7 through 10. This is your gross income from farming	**11**	
12	Divide line 11 by line 6, and carry the result to four decimal places	**12**	

Instructions for Worksheet B

Line 1 — If federal Form 1120 or 1120-A, line 10, includes both income and loss items, include only the income amounts on line 1. In addition, do not include on line 1 any partnership income included on federal Form 1120 or 1120-A, line 10.

Line 2 — Include on line 2 only gains used in figuring the amounts reported in column (f) of Schedule D. You cannot net loss transactions against gain transactions.

Line 3 — Include on line 3 only gains used in figuring the amounts entered in column (g) for Form 4797. You cannot net loss transactions against gain transactions.

Line 7 — If the corporation has both farm and non-farm income, include in line 7 only the gross profit attributable to farming activities (see *Purpose of Form*). In this situation, it may be helpful if the corporation completes a pro-forma federal Schedule F (Form 1040), to determine its gross profit (income) from farming.

Line 8 — Include only gross rents from the rental of farm property, and only if the rental arrangement meets one of the two conditions listed under *Purpose of Form.*

Line 9 — Include on line 9 only gains (not losses) reported on Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport or dairy purposes. Do not include any other gains reported on Form 4797 (such as gains from the sale of farm machinery) even though these gains may be related to your farming business.

Line 10 — Do not include on line 10 gross income from fishing included on federal Schedule K-1, line 15b.

Item E — If you and one or more related persons each owned qualified agricultural property on March 1, 1999, check the box on Item E. Also, be sure to read the instructions for Part II, line 4.

A *related person* includes:

– another corporation subject to the corporation franchise tax (Article 9-A) where both corporations are members of the same controlled group as defined in section 267(f) of the Internal Revenue Code (IRC);
– an individual, estate, or trust that owns more than 50% of the corporation's stock;
– another corporation subject to tax under the Article 9-A franchise tax, if the same person owns more than 50% of the value of the outstanding stock of each corporation; and
– an estate or trust of which the corporation owns, directly or indirectly, more than 50% of the capital, profits, or beneficial interest.

Example: Corporation A and Corporation B each own qualified agricultural property on March 1, 1999. The same individual owns 100% of the stock of both corporations. Corporations A and B are related persons.

Item F — You cannot claim the farmers' school tax credit for qualified agricultural property that is converted to nonqualified use during the tax year. If only part of your qualified agricultural property is converted to nonqualified use during the tax year, you can claim credit for the part of the property that is not converted.

In addition, you may be subject to the recapture provision (see *Credit recapture* on page 4).

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

> ***Example 1:*** *You sell 100 acres of land to a developer in 1999. The developer actually builds a housing development on the land during 1999, and as a result the land is no longer used in agricultural production. This is a conversion to nonqualified use.*

> ***Example 2:*** *You discontinue farming during 1999, but continue to hold the farm property for investment purposes. This is not a conversion to nonqualified use.*

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

Part II - Computation of credit

Line 1 - Enter the total **acres** of qualified agricultural property owned by you during 1999. Be sure to include the number of acres under buildings or structures that are qualified agricultural property.

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

Line 2 - Enter the corporate partner's share of qualified agricultural property.

Line 4 - If you did not check box E in Part I, enter 250 on line 4. If you did check box E in Part I, you must allocate the 250 base acres among yourself and the other related parties. The base acres must be divided equally between the parties unless you all agree to a different division. If you all agree, you may divide the base acres in any manner you wish. If you elect an unequal division, you must attach a statement to Form CT-47, setting forth the following information:

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

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

Line 9 - Enter the eligible school taxes paid by you in 1999. Attach copies of your paid school district property taxes.

Line 10 - Enter the partner's share of eligible taxes paid by a partnership.

If you checked the box at item F, do not include on lines 9 or 10 the school taxes paid during the year on property that was converted to nonqualified use.

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

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

Line 13 - If line 13 is more than $100,000, your credit is limited.

Line 22 - If the tax due before credits on Form CT-3, line 78, or Form CT-3-A, line 77, is equal to the tax on the minimum taxable income base or the fixed dollar minimum tax, enter ("0"). Otherwise, complete the following worksheet:

(a)	Enter the amount from Form CT-3, line 78, or Form CT-3-A, line 77	
(b)	Enter any other tax credits used *(from Form CT-3, line 100, or CT-3-A, line 101)*	
(c)	Subtract line (b) from line (a) *(if line (b) is greater than line (a), enter "0")*	
(d)	Enter the amount from Form CT-3 or CT-3-A, line 71 or 74, whichever is larger	
(e)	Subtract line (d) from line (c) *(if line (d) is greater than line (c), enter "0")*	

Enter on line 22 the lesser of: 1) the amount on line (e) above, or 2) the amount shown on line 21. Include this result on Form CT-3, line 100; or Form CT-3-A, line 101.

Line 24 - If you are claiming a refund, enter the smaller of line 17 or 23. If you are not claiming a refund, enter zero. To avoid the unnecessary exchange of funds, reduce this amount by any unpaid balance you owe on your franchise tax and MTA surcharge liability. Include this result on Form CT-3, line 99; or Form CT-3-A, line 100.

Line 25 - Subtract line 24 from 23.

Part III - Credit recapture

If all of your qualified property is converted to nonqualified use (see item F on page 3) before the end of the second tax year following the year in which you first claimed a credit, the entire credit you claimed on the converted property in the two previous years must be added back in the year of conversion. If only a portion of the qualified agricultural property is converted to nonqualified use, you must add back a proportionate share of the credit claimed.

Example 1: *A farmer first claims the credit for tax year 1998. On August 1, 1999, all of the farmer's qualified agricultural property is converted to nonqualified use. In this instance, no credit will be allowed for 1999, and the entire amount of the credit claimed for 1998 must be added back in 1999.*

Example 2: *A farmer first claims the credit for tax year 1997. On June 1, 2000, the entire property is converted to nonqualified use. In this instance, no credit is allowed for the year 2000. However, since the conversion takes place after the end of the second year (1999) following the year in which the credit was first claimed (1997), the farmer is not required to add back the credit claimed in 1997, 1998, or 1999.*

Example 3: *A farmer first claims the credit for tax year 1998. The credit is based on 500 acres of qualified agricultural property owned by the farmer. On September 1, 1999, 100 acres of that property is converted to nonqualified use. In this instance, a credit will be allowed for 1999 based on the 400 acres of qualified agricultural property not converted to nonqualified use, and one-fifth (100/500) of the credit claimed in 1998 must be added back in 1999.*

Line 26 Column instructions

Column A — Enter the total acres of qualified property converted to nonqualified use in 1999.

Column B — Enter the total acres of qualified agricultural property you owned immediately prior to the conversion.

Column D — Enter the total farmers' school tax credit claimed in 1997 and 1998.

Column E — Transfer the column E amount to line 20.