



Instructions for Revised Form IT-203-GR

Group Return for Nonresident Partners

IT-203-GR-I

Revised Spring 2000

Changes for 1999

As a result of a recent New York State Court of Appeals decision, the New York City nonresident earnings tax has been eliminated for New York State nonresidents who had wages or self-employment income earned in New York City on or after July 1, 1999. Prior to this decision, the nonresident earnings tax had been eliminated only for New York State residents who had wages or self-employment income earned in New York City on or after July 1, 1999.

With the elimination of the New York City nonresident earnings tax effective July 1, 1999, only one-half of the partner's federal distributive share of net earnings from self-employment allocated to New York City for the partnership's taxable year ending in 1999 is subject to the New York City nonresident earnings tax.

Due to this decision, these revised instructions have been prepared to enable partnerships that have any income derived from or connected with New York City sources who have not filed their group return for nonresident partners to properly determine the amount of 1999 New York City nonresident earnings tax.

In addition, the revised forms and instructions will enable partnerships who have already filed their 1999 group return to file an amended 1999 return and apply any 1999 New York City nonresident earnings tax overpaid to their 2000 New York State estimated tax. **Note:** You cannot get a refund of the overpaid New York City nonresident earnings tax. However, you may reduce any future New York State estimated tax payments by the amount of New York City nonresident earnings tax overpaid.

If the 1999 group return **has not** been filed, use these revised instructions to compute your 1999 return.

If the 1999 group return **has** been filed, see *Amended return* on page 3 of the revised instructions.

General information

A partnership, including a limited liability partnership, limited liability investment company, limited liability trust company, or limited liability company that is treated as a partnership for federal income tax purposes, that has any income derived from or connected with New York sources, may be granted approval to file Form IT-203-GR, *Revised Group Return for Nonresident Partners*. A *Revised Group Return for Nonresident Partners* may be filed only if the partnership has 11 or more qualified nonresident partners or members (see page 2 of these instructions) who elect to file on a group return for each year. Hereafter, partners and members will be collectively referred to as partners. All qualified partners who elect to participate in the group return must have the same accounting period.

A group return is considered a group of individual returns that meet the New York State, New York City, and Yonkers tax return filing requirements. Accordingly, if a qualified partner elects to participate in the group return, the partner is not required to file an individual New York State, New York City, or Yonkers personal income tax return or nonresident earnings tax return for the year.

Approval to file a group return

A partnership that wishes to file a group return on behalf of its qualified electing partners must request permission to do so by submitting an application on Form PR-99, *Application for Permission to File a Group Return*. Form PR-99 must be submitted to: **NYS Tax Department, Registration and Data Services Bureau, Building 8, Room 431, W A Harriman Campus, Albany NY 12227**. You must file Form PR-99 no later than the 30th day following the close of the initial tax year for which you are requesting to file a group return. See *Need help?* on page 4 for information on how to get forms.

After receipt of a properly completed Form PR-99, the Tax Department will determine whether permission will be granted and will notify the partnership accordingly. If approval is granted, the partnership will be issued a special New York State identification number to be used only for filing the group return. The Tax Department's approval to file on a group basis is contingent upon the receipt of the final group return, and is subject to revocation upon audit. An approval to file on a group basis

will remain in effect unless it is revoked. Annual approval is not required. However, see *Reinstatement* below. In addition, the partnership must maintain at least 11 electing partners in order to continue filing on a group basis.

Note: You must obtain prior approval to file a group return. If you file a group return without prior approval, the return will be rejected and the participating partners could be subject to late filing or late payment penalties.

The approval to file a group return will not be retroactively revoked after the return has been filed simply because the partnership fails to maintain 11 qualified electing partners. For example, if a partnership filed a group return for 13 qualified electing nonresident partners for tax year 1999, and it is subsequently determined that three of the partners did not qualify to be included on the group return, the approval to file the group return for 1999 will not be revoked. However, approval to continue filing any further group returns for future years will be revoked unless the partnership has 11 or more qualified electing partners for those years.

Reinstatement: If a partnership that has received approval to file on a group basis decides not to file a group return for a particular tax year, it must notify the Tax Department of its decision in writing at the previously stated address. The notice must show the name and address of the partnership and the special New York identification number. In addition, if the partnership wishes to file a group return for a subsequent year, it must request reinstatement of its approval to file a group return. A request for reinstatement must be submitted on Form PR-99. Form PR-99 must be submitted no later than the 30th day following the close of the first tax year for which reinstatement is requested.

Group agent and powers of attorney

A partnership that requests approval to file a group return must appoint one partner as the *group agent*. The group agent must have legal authority to act as an agent in matters relating to the group return, for all partners participating in the return. The group agent is required to sign the group return, and any communications from the Tax Department will be sent to the group agent. Any notices required by law, such as a notice of deficiency or a notice and demand, will be sent to the group agent as well as to the individual partner involved. In addition, the group agent will be personally liable for only those penalties relating to making or signing an erroneous, false, or fraudulent return, but only if the agent was actually responsible for the error, etc.

Unless the partnership is exempt (see *Exemption* on page 2), Form PR-99 must be accompanied by an individual power of attorney (however, see *Note* below) for each qualified nonresident partner who the group agent knows, at the time of application, will be participating in the group return. The power of attorney must authorize the group agent to represent the participating partner in the filing of the group return. If, after the application date, an additional partner elects to participate in the group return (or subsequent year's group return), a power of attorney for that partner must be attached to the first group return on which the partner is included. If a partnership requests reinstatement of approval to file a group return (see *Reinstatement* above), the partnership must also resubmit powers of attorney as previously described.

If the partnership changes its group agent, it must notify the Tax Department immediately at the previously stated address. In addition, if the partnership is required to submit powers of attorney as described above, the notice must be accompanied by new powers of attorney for all participating partners (however, see *Note* below).

Note: Other evidence that establishes the group agent's authority to act as an agent in making, executing, and filing the group return for the qualified electing nonresident partners, if acceptable to the Tax Department, may be submitted in lieu of individual powers of attorney. If you wish to submit other evidence, attach a statement to Form PR-99 describing the evidence you wish to submit. We will notify you whether or not the evidence is acceptable. The filing of Form DTF-350, *Group Affidavit*, in accordance with the instructions of that form, is acceptable evidence which may be submitted in lieu of individual powers of attorney.

Exemption: If the partnership:

- requested permission to file a group return before December 31, 1996, **and**
- had 50 or more qualified electing partners at the time it requested permission to file,

then the partnership is exempt from the power of attorney submission requirements previously described. This exemption remains in effect as long as the partnership continues to file a group return each year. However, the group agent must still have legal authority to act as an agent for the participating partners in all matters related to the group return. If a partnership must request reinstatement of permission to file a group return because it failed to file a group return for the prior year(s), it will become subject to the power of attorney submission requirements at that time.

Qualified nonresident partner

A *qualified nonresident partner* is a partner who meets all of the following conditions:

- the partner must be a nonresident of New York State for the entire tax year;
- the partner did not maintain a permanent place of abode in New York State at any time during the tax year;
- the partner or the partner's spouse must have no income derived from New York sources other than (1) the partner's distributive share of partnership income with New York additions and subtractions allocated to New York, or (2) other income derived from certain New York sources described below;
- the partner or the partner's spouse cannot be subject to the New York State minimum income tax or the New York State separate tax on the ordinary income portion of a lump-sum distribution; and
- the partner must waive the right to claim the New York standard deduction or itemized deduction, the New York dependent exemption, any New York State credits and any carryback or carryover of a New York State net operating loss or capital loss.

If both a husband and wife are partners in the same partnership, both spouses may be included in the group return if they both meet the qualifications described above and both spouses elect to participate. Unless **both** spouses elect to participate, **neither** may participate in the group return.

If a partner or partner's spouse has other New York source income only from another partnership, New York S corporation, professional athletic team, or other group or organization that files a group return and (1) the partner or partner's spouse participates in the other group return(s); and (2) the partner or partner's spouse does not participate in more than 10 group returns for the taxable year, the partner must be included on the partnership's group return. The partner must also waive the right to claim the allowable exclusion for purposes of the New York City or Yonkers nonresident earnings tax if the partner has New York City or Yonkers income from more than one source. The partner must also notify each group agent that the partner is included on another group return.

Note: In the case of a partner and a partner's spouse who are both participating in group returns, the 10 group return limitation, and the waiving of the allowable exclusion for purposes of New York City or Yonkers nonresident earnings tax, is determined individually (that is, the partner may participate in up to 10 group returns and the partner's spouse may participate in up to 10 group returns).

Example: A husband participates in a group return for Partnerships A and B and has New York City income from both partnerships. The partner's wife participates in a group return for Partnership C and has New York City income from Partnership C. The husband is participating in 2 group returns for purposes of the 10 group return limitation, and must also waive the allowable exclusion for purposes of the New York City nonresident earnings tax on the group returns of both Partnerships A and B because he has New York City income from more than one source. The wife is participating in 1 group return for purposes of the 10 group return limitation and may claim the allowable exclusion for purposes of the New York City nonresident earnings tax since she has New York City income from only one source.

Electing to participate in the group return

A qualified nonresident partner elects to participate in the group return by informing the group agent that he or she wishes to participate. The election must be made by the fifteenth day of the fourth month following the close of the tax year for which the election is being made. The partner's inclusion in the group return constitutes notice to the Tax Department that the partner is electing to participate in the group return.

A partner who elects to be included in the group return may not change that election after the fifteenth day of the fourth month after the close of the tax year. However, if it is later determined that a partner included in the group return did not meet the definition of a qualified nonresident partner for the tax year, the partner would be required to file an amended return on an individual basis.

A partnership filing a group return must attach to its Form IT-204, *New York State Partnership Return*, a list showing the name (in either alphabetical or social security number order) and social security number of each partner who will be included on the group return.

City of New York and city of Yonkers nonresident earnings taxes

If a partnership files a group New York State return **and** the partnership has income derived from New York City or Yonkers sources, the partnership **must** also file a group New York City or Yonkers nonresident earnings tax return. The group city return must include all qualified nonresident partners who participate in the group state return. If a partner does not participate in the group state return, the partner may not participate in the group city return.

However, a partnership may file a group New York City or Yonkers return even if the partnership is not filing a group New York State return. To be eligible to file a separate group city return, the partnership must have 11 or more qualified nonresident partners for city purposes who elect to participate in the city group return.

A *qualified nonresident partner* for New York City or Yonkers purposes is a partner who meets all of the following conditions:

- the partner must be a nonresident of **New York State** for the entire tax year;
- the partner did not maintain a permanent place of abode in New York State at any time during the tax year; and
- the partner must have no income derived from New York City or Yonkers sources other than the partner's share of the partnership's net earnings from self employment allocated to New York City or Yonkers. (A partner cannot be included on more than one group city return unless the partnership is also filing a group New York State return.)

A partnership that elects to file only a city group nonresident return must make application to the Tax Department, appoint a group agent, and submit any required powers of attorney in the same manner that applies for New York State purposes.

If the separate city election is made, each of the participating nonresident partners will file an individual New York State nonresident income tax return and omit the New York City or Yonkers entries on the return. The partner must attach a statement to the return that the New York City or Yonkers nonresident earnings tax is being reported separately on a group return filed by the partnership. The statement must also contain the special New York identification number assigned to the partnership.

Estimated tax payments

A partnership that has received approval to file a group nonresident return may also elect to file group estimated tax installments on behalf of its qualified electing partners.

The group installments are filed on Form IT-2105, *Estimated Income Tax Payment Voucher*. The form must show the name and address of the partnership and the special New York identification number assigned to the partnership. Enter on Form IT-2105 the total state and Yonkers estimated tax paid on behalf of the group. However, the group agent must maintain records to show that portion of the total that is paid on behalf of each participating partner.

If a qualified nonresident partner who was included in the group estimated tax decides not to participate in the group return, or if the partnership subsequently decides not to file a group return for the tax year, the group agent should notify the Tax Department no later than February 15 of the year in which the return is due. This notification must contain the following information:

- the name and address of the partnership;
- the special New York identification number assigned to the partnership;
- the partner's name, address, and social security number;
- the amount of state and, if applicable, city estimated tax paid on the partner's behalf; and
- a request that the payment or payments be transferred to an individual estimated tax account in the partner's name.

If more than one partner included in the group estimated tax will not be participating, the above partner information should be provided for each partner. The notification must be mailed to: NYS Tax Department, Estimated Tax Unit, W A Harriman Campus, Albany NY 12227-0125.

This transfer of estimated tax payments could take two to three weeks to become effective. If the partner files an individual personal income tax return before the transfer becomes effective, the partner will not get credit for these payments when the return is processed, and a tax due notice will be issued to the partner. Therefore, this time period should be taken into account when filing the partner's individual tax return.

If a partner who was included in the group estimated tax notifies the group agent after February 15, 2000, but before April 15, 2000, the group agent should notify the Tax Department immediately, using the procedure described above. In these situations, the individual partner may wish to request an extension of time to file to insure that the estimated tax payment will be properly credited to the individual account.

Amended return or federal change

You should file an amended 1999 group return if you previously filed a 1999 group return and you were required to compute the New York City nonresident earnings tax on Form IT-203-GR-ATT-B (Schedule B) for your nonresident partners.

To file an amended return:

- Use new Form IT-203-GR-ATT-B.1, *Amended Schedule B*, to compute the amount of New York City nonresident earnings tax for the period January 1, 1999, through June 30, 1999.
- Enter on line 13 of Revised Form IT-203-GR the total amount of overpayment to be credited to estimated tax from Column J, Amended Schedule B.
- Make no other entries on lines 1 through 12 of Revised Form IT-203-GR.
- Write **Amended Return** on the top of Revised Form IT-203-GR.
- Sign and date the return and mail it to the address shown under *Where to File* on this page.

An amended group return must also be filed if an amended federal return is filed by the partnership, or if a federal audit of the partnership changes any of the partnership items of income, gain, loss or deduction reported on the original group return. An amended group return must be filed within 90 days of the date the federal amended partnership return is filed, or, in the case of a federal audit, within 90 days after the final determination of the change. Attach a copy of the federal report of examination changes and a signed statement by the group agent indicating that the partnership concedes the federal audit changes. If the partnership does **not** concede the federal audit changes, attach a signed statement explaining why.

Specific instructions

Form IT-203-GR

Name and address box

Enter in the spaces at the top of the return the legal name, trade name (if any), address, and employer identification number of the partnership exactly as these items will appear on its New York State partnership return, Form IT-204. In addition, enter the special New York identification number in the box indicated.

Note: You must complete Form IT-203-GR-ATT-A, and if applicable, Form IT-203-GR-ATT-B and/or Form IT-203-GR-ATT-C, before you can complete lines 1 through 13 of Form IT-203-GR.

Line 12

If you owe more than one dollar, attach your payment to the front of this return. Make your check or money order payable to **New York State Income Tax** and write your special New York identification number and **1999 Form IT-203-GR** on it. Do not send cash. See *Where to file* below.

Line 13

The amount overpaid will automatically be applied to your 2000 estimated tax. This amount **cannot** be refunded to you.

Signature

This form must be signed by the group agent on behalf of the participating partners. If you use a paid preparer, he or she must also sign the return and fill in the other information required.

Note to paid preparers - When preparing the group return, you must enter your federal preparer tax identification number (PTIN), if you have one. If you do not have a PTIN, use your social security number.

When to file

You may file Form IT-203-GR at any time after January 1, 2000, but not later than the filing deadline of April 17, 2000. If you file late, you may have to pay penalties and interest.

Extension of time to file — If you cannot meet the filing deadline, the partnership may request an extension to file the group return using Form IT-370, *Application for Automatic Extension of Time to File for Individuals*. Form IT-370 must show the special identification number assigned to the partnership. The partnership must also attach to Form IT-370 a list showing each participating partner's name (in either alphabetical or social security number order), address, and social security number.

If the partnership needs additional time to file the group return, it may request an additional extension of time using Form IT-372, *Application for Additional Extension of Time to File for Individuals*. Form IT-372 must show the special New York identification number assigned to the partnership and must be signed by the group agent. A list of the participating partners is not required to be attached to Form IT-372.

Where to file

The group return must be filed with: **NEW YORK STATE INCOME TAX, W A HARRIMAN CAMPUS, ALBANY NY 12227.**

Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return. However, if, at a later date, you need to establish the date you filed your return, you cannot use the date recorded by a private delivery service **unless** you used a delivery service that has been designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance. (Currently designated delivery services are listed in Publication 55, *Designated Private Delivery Services*. See *Need help?* on page 4 of these instructions for information on ordering forms and publications.)

Forms IT-203-GR-ATT-A, B, and C Revised Schedules A, B, and C

If you are filing a group New York State return you must complete Revised Schedule A. You must also complete Revised Schedule B and/or Revised Schedule C if the partnership has income derived from New York City or Yonkers. Attach the applicable schedules to Form IT-203-GR.

If you are filing a group New York City or Yonkers return only, do not complete Form IT-203-GR-ATT-A. However, you must complete Form IT-203-GR-ATT-B and/or Form IT-203-GR-ATT-C.

Use as many schedules as you need to list all qualified nonresident partners participating in the group return. Enter the grand totals from all attachment sheets on the last attachment sheet of each set of schedules.

Note: You may computer generate Revised Schedules A, B, and C, provided they conform substantially to the official schedules. Any computer-generated schedules must be in the same format as Revised Schedules A, B, and C and must use a font face and size (#12 or larger) that is easily readable.

Revised Schedule A

Column C — Enter the total of the amounts shown on lines 1-7 (except line 4e(1)) of the partner's federal Schedule K-1 (Form 1065) or the amounts shown in boxes 1-4 of the partner's federal Schedule K-1 (Form 1065-B) and the income amounts, such as general partner's taxable income from a trade or business, general partner's taxable income from rental real estate, general partner's capital gain from rental real estate activities, guaranteed payments, etc., from box 9 of the partner's federal Schedule K-1 (Form 1065-B).

Column D — Use the instructions for Schedule B, Part III in Form IT-204-I, *Instructions for Form IT-204*, to determine the amounts to be entered in column D.

Column E — Enter the amounts shown on lines 9 and 11 of federal Schedule K-1 (Form 1065) or the amounts shown in box 9 of federal Schedule K-1 (Form 1065-B) that represent deductions not allowed in computing the amount shown in Column C. These include amounts paid on the partner's behalf for medical insurance, and contributions to IRA, Keogh, and SEP plans. Do not include in this column any deductions that are required to be treated as itemized deductions on the partner's federal income tax return. Also, do not include the partner's federal deduction for one-half of self-employment tax, since this deduction is not treated as a partnership deduction for federal purposes.

Column F — The amount in column E is allocated to New York in the same manner as its related federal item of income, gain or loss was allocated. If a deduction item included in column E does not relate to a particular federal item, it is allocated to New York based upon the percentage of total federal partnership income, gain, or loss that was allocated to New York.

Column G — Determine the portion of each New York addition and subtraction shown on lines 9-13 of Form IT-204 that is allocated to New York. An addition or subtraction is allocated to New York in the same manner as the federal items of income, gain, or loss to which it relates. Enter the total amount of the additions and subtractions allocated to New York as a net addition or subtraction.

Column M — Place an **X** in this column if the partner is participating in another group return.

Revised Schedule B

Column D — Use the instructions for Form IT-204-NYC, *New York City Nonresident Partner Allocation*, to determine the amount of column C to be entered in column D.

Column E — Enter one-half of the amount in column D.

Column F — If the partner has New York City income from only one source, use the *New York City exclusion table* below to determine the amount to be entered in column F.

Column L — Place an **X** in this column if the partner is participating in another New York City group return and enter "0" in column F.

New York City exclusion table

If the amount in column E is:		Exclusion
Over	But not over	
\$ 0	\$10,000	\$1,500
10,000	20,000	1,000
20,000	30,000	500
30,000		None

Revised Schedule C

Column D — Use the instructions for Form Y-204, *City of Yonkers Nonresident Partner Allocation*, to determine the amount of column C to be entered in column D.

Column E — If the partner has Yonkers income from only one source, use the *Yonkers exclusion table* below to determine the amount to be entered in column E.

Column K — Place an **X** in this column if the partner is participating in another Yonkers group return and enter "0" in column E.

Yonkers exclusion table

If the amount in column D is:		Exclusion
Over	But not over	
\$ 0	\$10,000	\$3,000
10,000	20,000	2,000
20,000	30,000	1,000
30,000		None

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 uses this information primarily to determine and administer tax liabilities due the state and city of New York and the city of Yonkers. We 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 is 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 subject you to civil or criminal penalties, or both, under the Tax Law.

This information is 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.

Tax information: 1 800 225-5829

Forms and publications: 1 800 462-8100

Refund status: Access our website or call 1 800 443-3200;

if electronically filed 1 800 353-0708; direct deposit refunds: 1 800 321-3213


Automated service for refund status is available 24 hours a day, seven days a week.


From outside the U.S. and outside Canada: (518) 485-6800

Fax-on-demand forms (available 24 hours a day, seven days a week): 1 800 748-3676

Internet access: <http://www.tax.state.ny.us>

Hearing and speech impaired (telecommunications device for the deaf (TDD) callers only): 1 800 634-2110 (8:30 a.m. to 4:25 p.m., eastern time)

 **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 1 800 225-5829.

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