



# Instructions for Form CT-399

## Depreciation Adjustment Schedule

# CT-399-I

### General information

General business corporations, banking corporations, and insurance corporations are subject to depreciation modifications required under Articles 9-A, 32, and 33 when determining New York State taxable income.

- The modifications apply to the federal ACRS/MACRS deduction for property placed in service either inside or outside New York State in tax years beginning before 1985.
- The modifications may also apply to ACRS/MACRS property placed in service outside New York State in tax years beginning in 1985 through 1993 if you made the election in 1999 to continue this modification.

However, the modifications do not apply to:

- Property acquired after June 18, 1984 which is subject to the limitations under Internal Revenue Code (IRC) section 280-F (listed property).
- Airlines only – property placed in service before January 1, 1989.
- ACRS/MACRS property placed in service in New York State in tax years beginning on or after January 1, 1985.
- ACRS/MACRS property placed in service outside New York State in tax years beginning on or after January 1, 1994.
- Utilities – property placed in service by a qualified utility, a qualified power producer, or a qualified pipeline.
  - A *qualified public utility* is a taxpayer that, (1) on December 31, 1999, was subject to the ratemaking supervision of the New York State Department of Public Service, and (2) for the year ending on December 31, 1999, was subject to tax under former section 186 of the Tax Law.
  - A *qualified power producer* is a taxpayer that, (1) on December 31, 1999, was **not** subject to the ratemaking supervision of the New York State Department of Public Service, and (2) for the year ending on December 31, 1999, was subject to tax under section 186 of the Tax Law because of being principally engaged in the business of supplying electricity.
  - A *qualified pipeline* is a taxpayer that, (1) on December 31, 1999, was subject to the ratemaking supervision of either the Federal Energy Regulatory Commission or the New York State Department of Public Service, and (2) for the year ending on December 31, 1999, was subject to tax under sections 183 and 184 of the Tax Law because of being principally engaged in the business of pipeline transmission.

The depreciation modifications disallow the IRC section 168 ACRS/MACRS deduction and allow a New York State depreciation deduction using any method permitted under IRC section 167. You may continue claiming the New York State depreciation deduction until the property is fully depreciated for New York State purposes.

For further information regarding the depreciation modifications, see TSB-M-82(16)C, TSB-M-85(12)C, TSB-M-89(10)C, TSB-M-94(2)C, and TSB-M-99(1)C.

### Who must use this form

Use this form to compute the New York State depreciation modifications:

- if you claim a federal ACRS/MACRS deduction for property placed in service either inside or outside New York State in tax years beginning before 1985, or
- if you claim a federal ACRS/MACRS deduction for property placed in service outside New York State in tax years beginning in 1985-1993, and you chose to continue using the IRC section 167 depreciation deduction for such property, or
- if you dispose of ACRS/MACRS property this year, and the New York State depreciation modifications applied to the property in any prior years.

### Part I - Computation of accelerated cost recovery system (ACRS) or modified accelerated cost recovery system (MACRS) depreciation required or elected to be added back when computing New York State entire net income

Use lines 1 through 8 to compute the portion of the ACRS or MACRS deduction shown on federal Form 4562 that must be added back to federal taxable income when determining New York State entire net income.

**Line 1** — Enter from federal Form 4562 the amount of ACRS and MACRS included in the total federal depreciation deduction. Attach a copy of federal Form 4562.

**Line 2** — Enter the amount of depreciation deduction included on line 1 for property placed in service after June 18, 1984, that is subject to the limitation under IRC section 280-F.

**Line 3** — Airlines only — Enter the amount of depreciation deduction included on line 1 and not included on line 2 for property placed in service by an airline before January 1, 1989. This line cannot be used by air freight forwarders.

**Line 4** — Enter the amount of depreciation deduction included on line 1 and not included on line 2 or 3 for property placed in service inside New York State in tax years beginning after 1984.

**Lines 5 and 6** — Use either line 5 or line 6 if the ACRS/MACRS deduction on line 1 includes property placed in service outside New York State. Do not complete both lines 5 and 6.

Use line 5 only if you elected to use IRC section 168 depreciation for property placed in service outside New York State in tax years beginning in 1985 through 1993.

Use line 6 if:

- You have property placed in service outside New York State in tax years beginning in 1985 through 1993 and you elected to continue using IRC section 167 depreciation for this property; or
- You do not have property placed in service outside New York State in tax years beginning in 1985 through 1993, but you have property placed in service outside New York State in tax years beginning after 1993.

**Line 5** — Enter the amount of deduction included on line 1 for property placed in service outside New York State in tax years beginning after 1984. Do not complete both lines 5 and 6.

**Line 6** — Enter the amount of deduction included on line 1 for property placed in service outside New York State in tax years beginning after 1993.

**Line 7** — The total of lines 2, 3, 4, and 5 or 6 is the total allowable New York State ACRS and MACRS depreciation deduction.

**Line 8** — Subtract line 7 from line 1. This is the federal ACRS and MACRS deduction required to be added back when computing New York State entire net income. The allowable New York State deduction is computed in Part II.

## Part II - Computation of allowable New York State depreciation deduction

**Column A** — Enter a brief description of each item of property. Do not list any property included in Part I, line 7. Air freight forwarders previously taxable under Article 9 must list property for which depreciation is included in the amount shown on line 8 (regardless of location).

**Column B** — Enter the exact date the property was placed in service, including month, day, and year.

**Column C** — Enter the cost or other basis from federal Form 4562. Property placed in service in 1981 must be shown at the original cost and should not be reduced by any depreciation claimed in 1981.

**Column D** — Enter the total amount of federal ACRS or MACRS deduction taken in prior years for each item listed.

**Column E** — Enter the federal ACRS or MACRS deductions taken this year for each item listed. The total of this column must equal the amount on line 8. Enter this amount on the appropriate line of your franchise tax return (see line 9).

## Columns

**F and G** — Indicate the depreciation method selected for the computation of the New York State allowable depreciation deduction. Any consistent depreciation method that would have been allowed under IRC section 167, without regard to section 168, is acceptable, including straight line, declining balance, and sum of years digits.

**Column H** — Enter the amount of New York State depreciation allowed in prior years. Exception for air freight forwarders - for each item listed in Column A, compute an amount that represents the New York State depreciation you would have shown if you had been taxed under Article 9-A since acquiring the property.

**Column I** — Enter the depreciation computed by the method indicated in column F. The total of this column will be the depreciation allowable as a deduction for New York State. Enter the total amount on the appropriate line of your New York State franchise tax return (see line 9).

**Line 9** — If you have not disposed of any property placed in service in tax years beginning before 1994, you may stop here and enter the totals of columns E and I on your franchise tax return:

If you file form:	Enter column E total on:	and	Enter column I total on:
CT-3 or CT-3-A .....	line 7 .....		line 14
CT-3-S or CT-3-S-A .....	line 6 .....		line 13
CT-4 .....	line 5 .....		line 8
CT-4-S .....	line 4 .....		line 6
CT-32 .....	Schedule, B, line 28 .....		Schedule B, line 39
CT-32-A .....	Schedule, B, line 30 .....		Schedule B, line 39
CT-33 .....	line 70 .....		line 81

If you have disposed of property listed in Part II, or listed in Part II in prior years, you must complete Part III.

## Part III - Disposition adjustments

If you sold or disposed of ACRS/MACRS property this year, and the New York State depreciation modifications applied to the property in any prior years, you must make the applicable depreciation addition or subtraction catch-up modification to bring the New York State depreciation deduction on the property to the federal amount. (**Note:** For property placed in service outside New York State in tax years beginning in 1985 through 1993, the New York State depreciation modifications usually will have applied for some of the depreciation years of the property, whether or not you have elected to switch to IRC section 168 depreciation for the property.)

### Example:

*A corporation had placed property in service outside New York State during the calendar year 1993. The corporation filed Form CT-399 for the calendar years 1993*

through 1998 and computed the separate New York State depreciation deduction under IRC section 167 on Form CT-399.

The corporation filed Form CT-399 for the calendar year 1999 and chose the option to claim the federal depreciation deduction under IRC section 168 for property placed in service outside New York State during calendar year 1993. On June 1, 2002 the corporation sold the property. When computing the disposition adjustment, the corporation would compute the depreciation deduction in column D as follows:

- for calendar years 1993 through 1998, the depreciation deduction computed under IRC section 167; and
- for calendar years 1999 through 2001 the depreciation deduction computed under IRC section 168.

**Column A** — Enter each item of property separately. Attach a separate sheet if additional room is needed.

**Column C** — Enter for each item the total amount of ACRS or MACRS deductions used in the computation of federal taxable income for prior and current years.

**Column D** — Enter for each item the total amount of New York State depreciation deductions used in the computation of prior and current year entire net income. There was no New York State depreciation modification applicable to recovery property for the tax year beginning in 1981. The New York State depreciation deduction conforms with the federal ACRS deduction in that year. Therefore, include the 1981 federal ACRS deduction in this column.

**Column E** — If the total federal ACRS or MACRS deduction is more than the total New York State depreciation, subtract column D from column C and enter the excess in this column.

**Column F** — If the total New York State depreciation is more than the federal ACRS or MACRS deduction, subtract column C from column D and enter the excess in this column.

**Line 10** — Add the amounts in column E and enter the total on line 14.

**Line 11** — Add the amounts in column F and enter the total on line 15.

## Part V - Minimum taxable income base depreciation adjustments

If the amount on line 7 is zero, do not complete Part V, enter "0" on Form CT-3 or CT-3-A, line 43, or Form CT-4, line 22.

**Column A** — List property that is included in the federal Form 4626, line 2a computation **and is:**

- a. property subject to IRC section 280-F;
- b. property of a taxpayer principally engaged in the conduct of aviation (other than air freight

forwarders acting as principal and like indirect air carriers) which was placed in service before tax years beginning in 1989;

- c. ACRS/MACRS property placed in service in New York State in tax years beginning after 1984;
- d. ACRS/MACRS property placed in service outside New York State in tax years beginning after 1993; or
- e. If the election to switch to IRC section 168 depreciation was made, ACRS/MACRS property placed in service outside New York State in tax years beginning in 1985 through 1993

If you were not required to file Form 4626, list the property used to compute the amount called for on line 2a of that form, including only property described in items a through e above.

If the amount on federal Form 4626, line 2a, represents only the depreciation adjustment for property listed in items a through e above, enter the amount from federal Form 4626, line 2a, on Form CT-3 or CT-3-A, line 43, or Form CT-4, line 22; do not complete Part V.

If you filed federal Form 4626, attach a copy.

**Column B** — Enter the exact date the property was placed in service, including month, day, and year.

**Column C** — Enter the cost or other basis of the property from federal Form 4562.

**Column D** — Enter the federal depreciation deductions taken this year for each item of property.

**Column E** — Enter the amount for each item of property following the rules in IRC section 56(a)(1). Use the instructions for federal Form 4626, line 2a, to assist you in this computation.



### Need help?

**Telephone assistance** is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday.

Tax information: 1 800 972-1233

Forms and publications: 1 800 462-8100

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

Fax-on-demand forms: 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 1800 225-5829.



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