



# Instructions for Form IT-254

## Claim for Residential Fuel Oil Storage Tank Credit

### Personal Income Tax

**IT-254-I**

### Important notice for tax year 2003

If you removed or permanently closed a residential fuel oil storage tank after December 31, 2001, but before April 1, 2002, and you did **not** install a new tank (to replace the tank that was removed or permanently closed) until tax year 2003, see *Amount of credit: For tanks removed, or permanently closed after December 31, 2001, but before April 1, 2002*, on page 2.

If you removed or permanently closed a residential fuel oil storage tank after March 31, 2002, but did **not** install a new residential fuel oil storage tank (to replace the tank that was removed or permanently closed) until after December 31, 2002, you may claim a credit on your 2003 personal income tax return, provided the replacement tank was installed prior to January 1, 2004.

**Tax year 2003 is the last year you may make a new claim** for the residential fuel oil storage tank credit for the removal or permanent closure of an unprotected residential fuel oil storage tank, and the purchase and installation of a replacement tank. However, any unused credit from a prior year in which the credit was allowed can be carried over to tax years after 2003.

### General information

Effective January 1, 2001, through March 31, 2002, section 606(p-1) of the New York State Tax Law allows a credit to eligible taxpayers for the cost of removal and the cost of permanent closure of an unprotected residential fuel oil storage tank, and the installation costs of a new residential fuel oil storage tank used to provide heating fuel for qualified residential property located in New York State. To claim the credit, you must have incurred the cost of tank removal, closure, or replacement.

Effective April 1, 2002, section 606(p-1) of the Tax Law was amended. If you removed or closed a residential fuel oil storage tank after March 31, 2002, but before January 1, 2004, a credit is allowed only if a new residential fuel oil storage tank is purchased and installed to replace the tank that was removed or permanently closed. The new tank must be used to provide heating fuel for qualified residential property located in New York State. The credit is allowed for the year in which the replacement tank is installed. To claim this credit, you must have incurred the total cost of tank replacement.

The credit is not refundable, but any unused credit may be carried forward to future years (including tax years after 2003). For more information on this credit, see Publication 64-W, *FAQs: Residential Fuel Oil Storage Tank Credit*.

### Who is eligible

- Individuals, estates, and trusts.
- Partners in a partnership, including members of an LLC that is treated as a partnership for federal income tax purposes.
- Beneficiaries of an estate or trust.

### Who must file

File Form IT-254 if you are an individual, a partnership, or an estate or trust, and you qualify for the credit. In addition, if you are a partner in a partnership (including members of an LLC treated as a partnership for federal income tax purposes) or a beneficiary of an estate or trust, file Form IT-254 to claim your share of the credit from your entity.

A partnership must file Form IT-254 with Form IT-204, *Partnership Return*, showing the partnership's total credit for the residential fuel oil storage tank.

### Definitions

*Residential fuel oil storage tank* means a tank used to supply heating fuel to qualified residential property. It also includes a tank used to supply heating fuel to qualified residential property where a portion of the residence is used for commercial purposes.

*Heating fuel* means fuel oil or kerosene. It does **not** include propane, natural gas, or gasoline.

*Qualified residential property* means a single-family, two-family, three-family, or four-family residence located in New York State.

*Unprotected tank* means a bare steel tank that does **not** have provisions to prevent corrosion (such as a double wall or cathodic protection).

*Permanently closing a residential fuel oil storage tank* means the tank has been left in place but has been permanently taken out of service in compliance with all state and local laws and codes.

*Removal of a residential fuel oil storage tank* means the tank has been removed from the property in compliance with all state and local laws and codes.

*Costs* include all costs associated with the removal or permanent closure of an existing unprotected tank and the purchase and installation of a new tank, including but not limited to, costs for labor and materials, cleanup costs if a leak is found, and excavation costs necessary to remove an existing tank or install a new tank and return the land to its original state. *Costs do not* include the costs necessary to hook up the qualified property to an alternative fuel (such as natural gas) after the removal or closure of an existing tank. Furthermore, *costs do not* include financing or interest charges.

*A new residential fuel oil storage tank* means a new tank that has been installed in conformance with all state and local laws and codes and manufacturers' directions.

Your local fire and building inspector, heating oil supplier, or contractor dealing with heating oil tanks should be able to provide you with additional information regarding the procedures for tank removal, closure, and replacement in your area.

### Amount of credit

- **For tanks removed, or permanently closed after December 31, 2001, but before April 1, 2002**, the residential fuel oil storage tank credit is equal to the costs to purchase and install a new residential fuel oil storage tank, not to exceed \$250, provided the new tank is used in place of a formerly used unprotected residential fuel oil storage tank that was removed or permanently closed during the immediately preceding tax year.

**Example:** *On March 2, 2002, you removed an unprotected residential fuel oil storage tank located on qualified residential property. The cost of the tank removal was \$300. Therefore, for tax year 2002, you qualified for a residential fuel oil storage tank credit of \$250. Due to extensive renovations, the new residential fuel oil storage tank was not installed (to replace the tank that was removed in 2002) until January 8, 2003. For tax year 2003, you will be allowed to claim a credit for the costs (up to \$250) for the purchase and installation of the tank.*

- **For tanks removed or permanently closed after March 31, 2002, and replaced after December 31, 2002, but before January 1, 2004**, the residential fuel oil storage tank credit is the total cost of tank removal or permanent closure and replacement, not to exceed \$500.

### Special rules

**The following rules apply for residential fuel oil storage tanks removed or permanently closed after December 31, 2001, but before April 1, 2002, but not replaced until tax year 2003:**

- You cannot claim the credit for installing a new residential fuel oil storage tank unless the new tank is used in place of an existing unprotected residential fuel oil storage tank that was removed or permanently closed during the preceding tax year. Accordingly, the credit is **not** available for a tank installed in a newly constructed residence, or for a tank that was installed in a residence that was heated with another fuel (such as natural gas or propane) immediately prior to the installation of the new tank.
- You can claim the credit for the purchase and installation of a new tank even if the new tank is **not** installed in the same manner as the old tank.

**Example:** *On March 1, 2002, you permanently close an existing unprotected underground residential fuel oil storage tank on your qualified residential property. On February 10, 2003, you replaced the tank that was permanently closed with a new tank that is installed in your basement. For tax year 2003, you would be allowed a credit for the costs (up to \$250) for the purchase and installation of the new tank.*

- You may claim the credit even if you **do not** own or reside at the qualified residential property. However, to claim the credit you must have actually paid the cost of installation of the new replacement residential fuel oil storage tank.

**Example:** *On February 10, 2002, an unprotected residential fuel oil storage tank was removed from your parents' single-family residence (located in New York State). The new tank was installed on June 9, 2003. You paid the costs for the purchase and installation of the new tank. For tax year 2003,*

*you would be allowed a credit for the costs (up to \$250) for the purchase and installation of the new tank. However, your parents may not claim the credit.*

- If you share the cost of removing, permanently closing, or replacing a residential fuel oil storage tank on qualified residential property with another taxpayer(s), the amount of credit allowable to each taxpayer is prorated according to the percentage of the total cost contributed by each taxpayer. Each taxpayer files Form IT-254 to show the computation of the total credit, and claims only his or her share of the Form IT-254, line 13 credit on Form IT-201-ATT, *Itemized Deduction, and Other Taxes and Tax Credits — Attachment to Form IT-201*; IT-203-B, *Other New York State and City of New York Taxes and Tax Credits — Attachment to Form IT-203*; IT-204, *Partnership Return*; or IT-205, *Fiduciary Tax Return*. Additionally, each taxpayer must attach a statement to his or her return showing each taxpayer's name and the total cost contributed by each taxpayer.

The total credit claimed by all taxpayers sharing a credit for a particular residence cannot exceed \$250 for the purchase and installation of a new residential fuel oil storage tank.

**Example:** *On January 10, 2002, an unprotected residential fuel oil storage tank was removed from a two-family residence located in New York State. On January 7, 2003, you replaced the tank that was removed with a new residential fuel oil storage tank. Both tenants shared equally in the cost of tank replacement. Each tenant must file Form IT-254 to show the computation of the total credit. Each taxpayer claims one-half of the total credit on his or her New York State return (Form IT-201-ATT, Form IT-203-B, Form IT-204, or Form IT-205). Additionally, each taxpayer must attach a statement to his or her New York State return showing the names of both taxpayers and the total cost contributed by each taxpayer.*

**The following rules apply for residential fuel oil storage tanks removed or permanently closed after March 31, 2002:**

- You cannot claim the credit for the removal or permanent closure of an unprotected residential fuel oil storage tank unless you replace it with a new residential fuel oil storage tank (the new tank must be installed before January 1, 2004).
- You cannot claim the credit for installing a new residential fuel oil storage tank unless the new tank is used in place of an existing unprotected residential fuel oil storage tank that was removed or permanently closed. Accordingly, the credit is **not** available for a tank installed in a newly constructed residence, or for a tank that was installed in a residence that was heated with another fuel (such as natural gas or propane) immediately prior to the installation of the new tank.

The credit will be allowed for the tax year in which the replacement tank is installed, not the year in which the old unprotected tank is removed or permanently closed.

**Example:** *On December 30, 2002, you had an existing unprotected residential fuel oil storage tank removed from your property. On January 2, 2003, a new residential fuel oil storage tank is installed to replace the previously used tank.*



### Schedule D — Partner's or beneficiary's share of credit

Partners or beneficiaries must complete Schedule D.

Enter your share of the residential fuel oil storage tank credit from a partnership or estate or trust on the appropriate lines in Schedule D. This information should be provided to you by the partnership or estate or trust. If you belong to more than one partnership or estate or trust, enter the total of all your shares on the appropriate line.

Estates and trusts: Include on line 5 only your share of the residential fuel oil storage tank credit from another estate or trust.

### Schedule E — Beneficiary's and fiduciary's share of the credit

An estate or trust must complete Schedule E.

**Column C** — Include in the total line, column C, both the estate or trust's credit from Schedule B, line 3, and the estate's or trust's share of the credit from Schedule D, line 5. The total credit is allocated between the estate or trust and its

beneficiaries on the same basis as the income of the estate or trust is allocated.

### Schedule F — Computation of credit

Complete lines 7, 8, and 9, whichever lines apply to you.

**Line 11** — Enter the total of the line 10 amounts from any additional Form(s) IT-254 attached. (See *Note* under Schedule A on page 3.) If you are filing only one Form IT-254, enter "0."

**Line 12** — Enter the amount of net credit available for carryover to 2003. The *net credit available for carryover* is that portion of your prior residential fuel oil storage tank credit from 2002 Form IT-201-ATT, line 60; 2002 Form IT-203-B, line 46; 2002 Form IT-204, line 24; or 2002 Form IT-205, line 10; that was not applied to your 2002 tax.

**Line 13** — If you shared the cost of removing, permanently closing, or installing a new residential fuel oil storage tank, see *Special rules* starting on page 2 of these instructions.

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