



Instructions for Form CT-222

Underpayment of Estimated Tax by a Corporation

Temporary increase in the mandatory first installment of estimated tax

For tax years beginning on or after January 1, 2003, and before January 1, 2006, the Tax Law has been amended to provide an increase in the mandatory first installment from 25% of the preceding year's tax to 30%. This increase is for general business corporations (Article 9-A), banking corporations (Article 32), insurance corporations (Article 33), and entities subject to tax under Article 9, sections 184, 186-a, or 186-e, whose preceding year's tax, exclusive of the metropolitan transportation business tax (MTA surcharge), exceeds \$100,000. Taxpayers subject to the MTA surcharge that are required to pay their first installment at the 30% rate must also calculate their estimated tax for the surcharge at 30% of the preceding year's MTA surcharge.

Estimated tax payments required by partnerships, limited liability companies (LLCs), and New York S corporations

For tax years ending after December 31, 2002, all partnerships, LLCs that are treated as partnerships for federal purposes, or New York S corporations that had income from New York sources are required to pay estimated taxes on behalf of nonresident individuals and C corporation partners, members, or shareholders on their distributive or pro rata share of the respective entities income. See Form IT-2659, *Estimated Tax Penalties for Partnerships and New York S Corporations*, to determine if you underpaid estimated tax and, if so, to compute the penalty due.

General information

All general business corporations (including S corporations), banking, insurance, utilities (including providers of telecommunication services), and transportation and transmission corporations whose franchise tax for the current tax year can reasonably be expected to be more than \$1,000 after credits must file a declaration of estimated franchise tax and make quarterly installment payments.

Any corporation doing business in the Metropolitan Commuter Transportation District (MCTD) that is required to make a declaration of estimated franchise tax must also make a declaration of estimated MTA surcharge and make quarterly installment payments.

If you do not pay the required amounts on time, you may have to pay an underpayment penalty for the period of underpayment.

Payment of estimated tax

First installment — If the franchise tax on your previous year's return or on your request for extension of time for filing that return is more than \$1,000 and does not exceed \$100,000, you must pay 25% of the tax with the return or extension. If the franchise tax on your previous year's return or on your request for extension of time for filing that return exceeds \$100,000, you must pay 30% of the tax with the return or extension. If you are subject to tax under Tax Law section 1510(b)(1), and the tax exceeds \$1,000, the percentage is 40%.

If you are liable for the MTA surcharge, a 25% first installment is required if your franchise tax is more than \$1,000 and does not exceed \$100,000. If your franchise tax exceeds \$100,000, a 30% first installment is required. If you are subject to tax under Tax Law section 1510(b)(1), and the tax exceeds \$1,000, the percentage is 40%.

The second, third, and fourth installments of estimated franchise tax and MTA surcharge are due on the fifteenth day of the sixth, ninth, and twelfth months of your tax year.

Computation of underpayment

Complete lines 1 through 12 to determine any underpayment of estimated taxes.

Line 2 — Large corporations: Multiply the amount on line 1 by 100%. **All others:** Multiply line 1 by 91%. A *large corporation* is one that had, or whose predecessor had, allocated entire net income (ENI) of at least \$1,000,000 for any of the three tax years immediately preceding the tax year involved. **Article 33 filers:** For a nonlife insurance corporation subject to tax under Tax Law section 1502-a, a *large corporation* is one that had allocated ENI of at least \$1,000,000 for any of the three tax years immediately preceding the tax year involved or had direct premiums, subject to the premiums tax under Tax Law section 1502-a, exceeding \$3,750,000 for any of the three preceding tax years beginning on or after January 1, 2003.

Line 4 — See *Payment of estimated tax* above.

Line 8 — Corporate partners: Include amounts paid on time and on your behalf by a partnership. A payment of estimated tax is applied against underpayments of required installments in the order in which the installments are required to be paid.

Example: *Calendar-year taxpayer*

| | First | Second | Third | Fourth |
|-------------------------------------------------|-------|--------|-------|---------|
| Due date | 3/15 | 6/15 | 9/15 | 12/15 |
| 25% of prior year tax or MTA surcharge | 1,500 | -- | -- | -- |
| Installment amount due | -- | 1,000 | 1,000 | 1,000 |
| Paid on time/credited | 1,500 | 0 | 500* | 1,000** |
| Underpayment | 0 | 1,000 | 500 | 0 |

Penalty is due on \$1,000 from 6/15 to 9/15.

Penalty is due on \$500 from 9/15 to 12/15.

* Paid \$1,500, \$1,000 applied to 6/15 installment; \$500 applied to 9/15 installment.

** Paid \$1,500, \$500 applied to 9/15 installment; \$1,000 applied to 12/15 installment.

Exceptions to the underpayment penalty

You will not have to pay a penalty if you made all tax payments on time and they equal or exceed the amount that would have been required to be paid by each installment date if the estimated tax were an amount determined under any of the exceptions listed below.

A different exception may be applied to each underpayment. If no exception applies, complete lines 18 through 39 to determine the amount of the penalty.

Exceptions 1 and 2, on lines 14 and 15, **do not** apply to large corporations.

Line 14, exception 1 (not to be used by large corporations): Allows you to substitute for the current year's estimated tax the tax reported on your 2003 return. You must have filed a franchise tax return showing a tax liability for the preceding tax year, and that year must have consisted of 12 months.

Line 15, exception 2 (not to be used by large corporations): Applies if the amount you paid is equal to or more than the tax computed by using the current year's rate but based on the facts shown on the prior year's return and the law that applies to the prior year.

Line 16, exception 3: Applies if the estimated tax you paid was equal to or more than 91% (or 100% for large corporations) of the amount you would owe if your estimated tax were a tax computed on annualized taxable income for the months preceding an installment date.

You may annualize income as follows:

- a. For the first 3, 4, or 5 months of the tax year, in the case of the installment required to be paid in the 6th month.
- b. For the first 6, 7, or 8 months of the tax year, in the case of the installment required to be paid in the 9th month.
- c. For the first 9, 10, or 11 months of the tax year, in the case of the installment required to be paid in the 12th month.

To annualize, multiply taxable income for the period by **12** and divide the result by the actual number of months in the period.

Line 17, exception 4: Applies if you have recurring seasonal income. You may annualize income by assuming that income earned in the current year is earned in the same seasonal pattern as in the three preceding tax years.

To avoid underpayment penalties, you must make up a reduction in estimated taxes resulting from using annualized income or seasonal income by increasing the amount of the next installment determined under any other exception method by the amount of such reduction.

For additional information about computing seasonal income, see Tax Law Article 27, section 1085(d)(4).

Computation of the underpayment penalty

If no exception applies, complete lines 18 through 39 to determine the amount of the penalty. The penalty is computed for the period of underpayment at a rate set by Tax Law Article 27, section 1096(e)(1). Daily compounding of interest **does not** apply.

Line 39 — In each column enter the amount from line 38, or, if the installment payment (line 10) equals 80% (.8) or more of line 1 divided by four, multiply the penalty shown in the corresponding column of line 38 by 75% (.75) and enter the result.

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