New York State Department of Taxation and Finance

Instructions for Forms CT-3-A, CT-3-A/ATT, and CT-3-A/B
General Business Corporation Combined Franchise Tax Return
Tax Law — Article 9-A

CT-3-A-I

Table of contents

Changes for 2004 1
Who must file under Article 9-A 1
Who may file Form CT-3-A 2
Which forms to file 2
Other forms you may need to file 2
When to file 4
Where to file 4
Penalties and interest 4
Is this an amended return? 4
Are you terminating your business? 5
Reporting period 5
Overview of corporation franchise tax 5
How to fill out your tax return 6
Line instructions for Forms CT-3-A and CT-3-A/B 6
Line instructions for Form CT-3-A/ATT 18

Up-to-date information affecting your 2004 tax return

Visit the *Corporation Tax Up-to-Date Information* page on our Web site at *www.nystax.gov* for Tax Law changes or forms corrections that occurred after the forms and instructions were printed.

Changes for 2004

New for 2004

Changes to the fixed dollar minimum tax

For tax years beginning in 2004 and 2005, the fixed dollar minimum tax amounts have changed. For more information, see *Table VI – Fixed dollar minimum tax* under the *Tax rates schedule* on page 5.

New Form CT-38, *Minimum Tax Credit*

The computation of the modified minimum tax, adjusted minimum tax, and minimum tax credit used and carried forward will no longer be computed on Form CT-3-A. These computations will now be done on new **Form CT-38, *Minimum Tax Credit***, and attached to Form CT-3-A.

Long-term care insurance credit increased

For tax years beginning on or after January 1, 2004, the long-term care insurance credit has been increased to 20% of the premiums paid during the tax year for the purchase of qualifying long-term care insurance. For more information, see Form CT-249, *Claim for Long-Term Care Insurance Credit*.

Empire State film production credit

For tax years beginning on or after January 1, 2004, a new tax credit is available for the film and television production industry. The credit is equal to 10% of the qualified film production costs attributable to the use of tangible property or the performance of services at a qualified film production facility. The amount of credit allowed for the current year is allocated by the Governor's Office for Motion Picture and Television Development. For more information, see Form CT-248, *Claim for Empire State Film Production Credit*.

Transitional provisions for the Gramm-Leach Bliley Act extended

The tax provisions that were scheduled to expire for tax years beginning on or after January 1, 2004, have been extended for two years. For more information on the provisions that were extended, see TSB-M-02(1)C, *Summary of Legislative Changes Enacted in 2001*, page 6.

Gift for Prostate Cancer Research, Detection, and Education Fund

A new line has been added to Form CT-3-A (line 93c) so you can contribute to the Prostate Cancer Research, Detection, and Education Fund. The fund will be used to provide grants to the New York State Coalition to Cure Prostate Cancer, which will help coordinate and manage prostate cancer research, detection, and education efforts in New York State. New York State will match your donation, dollar for dollar. If you want to contribute, see the applicable line instructions.

Extension of the alternative fuels credit

The existing provisions relating to alternative fuels credits are clarified and extended for one year to property placed in service in tax years beginning on or before December 31, 2004. For more information, see TSB-M-04(2.1)C, *Amendments to the Alternative Fuels Credits and Exemptions*, and Form CT-40, *Claim for Alternative Fuels Credit*.

Qualified emerging technology company (QETC) credits expanded

Effective August 20, 2004, the definition of *emerging technologies* in Public Authorities Law section 3102-e was broadened to include biotechnology companies. This definition is used to determine eligibility for the QETC credits. For more information, see Form DTF-620, *Application for Certification of a Qualified Emerging Technology Company*; Form DTF-621, *Claim for QETC Employment Credit*; and Form DTF-622, *Claim for QETC Capital Tax Credit*.

Filing fees for disregarded single member limited liability corporations (SMLLCs) — Effective for tax years beginning in 2003 and 2004, every SMLLC that is a disregarded entity for federal income tax purposes, and has income derived from New York sources, must file Form IT-204-LL, *Limited Liability Company/Limited Liability Partnership Filing Fee Payment Form,* and pay a filing fee within 30 days after the last day of its tax year. For more information, see TSB-M-03(5)C.

Your refund may be applied to a city of New York tax warrant judgment debt

Due to a recent law change, your refund may be reduced by amounts owed for a city of New York tax warrant judgment debt. For additional information concerning these changes, see *Collection of debts from your refund* on page 13.

Who must file under Article 9-A

All general business corporations must file franchise tax returns under Tax Law Article 9-A. This includes both corporations organized under New York State law and foreign corporations (those organized under the laws of any other state or country) that do business, employ capital, own or lease property, or maintain an office in New York State.

The definition of a corporation, as used in Tax Law Article 9-A and in these instructions, includes associations, limited liability companies (LLCs), limited liability partnerships (LLPs), and publicly traded partnerships that are taxed as corporations under the Internal Revenue Code (IRC). See TSB-M-89(12)C for further information.

A general business corporation includes all corporations except the following:

— banking corporations (Article 32)

— insurance corporations (Article 33)

— transportation and transmission corporations (other than aviation corporations, corporations principally engaged in transportation, transmission or distribution of gas, electricity or steam (TTD corporations), and nonelecting railroad and trucking corporations) (Article 9)

— farmers and agricultural cooperatives (Article 9)

— nonstock, not-for-profit corporations no part of the net earnings of which inures to the benefit of any officer, director, or member

— continuing section 186 taxpayers (Article 9)

Corporate partners

- If a partnership is doing business, employing capital, owning or leasing property, or maintaining an office in New York State, then all of its corporate general partners must file franchise tax returns.
- A foreign corporation is doing business, employing capital, owning or leasing property, or maintaining an office in New York State if it is a limited partner of a partnership, other than a portfolio investment partnership, which is doing business, employing capital, owning or leasing property, or maintaining an office in New York State and if it is engaged, directly or indirectly, in the participation or in the domination or control of all or any portion of the business activities or affairs of the partnership. For more information on foreign corporations engaged in these business activities, see NYS Regulations section 1-3.2(a)(6).

Election by a foreign corporate limited partner

A foreign corporation that is a limited partner in one or more limited partnerships and that is subject to Tax Law Article 9-A solely as a result of NYS Regulations section 1-3.2(a)(6), and that does not file a combined return, may elect to compute its tax by taking into account only its distributive share of the income, capital gain, loss, or deduction of each limited partnership that is doing business, employing capital, owning or leasing property, or maintaining an office in NYS. Please attach a statement to your return indicating this election has been made. See NYS Regulations section 3-13.1

Who may file Form CT-3-A

A group of C corporations, meeting the requirements outlined below, must use Form CT-3-A, *General Business Corporation Combined Franchise Tax Return,* in order to file on a combined basis. Corporations included on Form CT-3-A may be combined only with other C corporations. A New York S corporation may not be included as a member of a combined return on Form CT-3-A. A group of S corporations must use Form CT-3-S-A, *New York S Corporation Combined Franchise Tax Return,* in order to file on a combined basis. See TSB-M-97(4)C for details.

Although the parent corporation is not necessarily the corporation that files Form CT-3-A, for purposes of this form, the corporation responsible for filing this form will be designated the parent. Any other corporations included in the combined return will be designated subsidiaries and must each file Form CT-3-A/C, except for a nontaxpayer included in the group.

Corporations may be permitted or required to file on a combined basis at the discretion of the Tax Department. When you file Form CT-3-A, you must also provide a Combined Filer Statement (Form CT-50 or CT-51) setting forth the names, addresses, and other identifying information for each member of the group. These corporations will be allowed to file on a combined basis if they meet the following requirements:

(1) The corporations must be operating a unitary business.

(2) Filing on a separate basis would distort New York activities, business income or capital).

(3) The corporations must also meet the 80% ownership or control test.

See NYS Regulations, sections 6-2.1 through 6-2.7, for complete details.

Alien corporations (except alien foreign sales corporations (FSCs)) and corporations that make an election under IRC section 936 are not allowed to be included in a New York State combined return. A company principally engaged in the railroad business or the trucking business may file a combined report only with other companies that are principally engaged in either the railroad business or trucking business. Similarly, a company principally engaged in the aviation business may file a combined report with other companies principally engaged in the aviation business, or with corporations that are qualified air freight forwarders with respect to the aviation corporation.

A corporation is a *qualified air freight forwarder* with respect to another corporation if **all** of the following apply:

(1) It owns or controls, either directly or indirectly, 100% of the capital stock of the other corporation; or if 100% of its capital stock is owned or controlled, either directly or indirectly, by the other corporation; or if 100% of the capital stock of both corporations is owned or controlled, either directly or indirectly, by the same interests.

(2) It is principally engaged in the business of air freight forwarding.

(3) Its air freight forwarding business is carried on principally with the airline or airlines operated by the affiliated corporation.

Taxable FSCs

All FSCs, including those that are alien corporations (formed outside the United States), may be permitted or required to file a combined return with their corporate parent shareholder. For a special rule regarding computation of entire net income (ENI) of a FSC, see Regulations section 3-2.2(d).

Which forms to file

Form CT-3-A/C, *Report by a Corporation Included in a Combined Franchise Tax Return,* must be filed by each member of the combined group, except the parent and any nontaxpayer (a foreign corporation not taxable in New York State) included in the group. No remittance of tax is required with this form.

Form CT-3-A/B, *Subsidiary Detail Spreadsheet*, a breakdown schedule of all the individual subsidiary information, must be filed for a combined group with more than one subsidiary. The lines on this form are identical to the lines on Form CT-3-A; therefore, separate line instructions are not needed.

Form CT-3-A/ATT, *Schedules A, B, and C — Attachment to Form CT-3-A,* must be filed only by those members of the combined group that have investment capital, subsidiary capital, or are qualified public utilities and transferees, qualified power producers, or qualified pipeline corporations.

All Forms CT-3-A/B, CT-3-A/C, and CT-3-A/ATT should be attached to the parent corporation's Form CT-3-A.

Form CT-50, *Combined Filer Statement.* If your group received this form, you must verify its accuracy. If there are changes to the New York State combined group, you must complete and return this form with your franchise tax return.

Form CT-51, *Combined Filer Statement for Newly Formed Groups*. If your New York State combined group is newly formed, you must complete and return this form with your franchise tax return.

Other forms you may need to file

Form CT-3-B, *Tax-Exempt Domestic International Sales Corporation (DISC) Information Return*, must be filed by tax exempt domestic international sales corporations on or before the 15th day of the 9th month after the end of the tax year.

Form CT-3-C, *Consolidated Franchise Tax Return*, must be filed by stockholders of tax-exempt DISCs that are included in a combined group with the DISC, and then this information must be transferred to the combined return.

Tax-exempt DISCs — A corporation that qualifies as a DISC under IRC 992(a) is exempt from tax under Tax Law Article 9-A, if during the year it received more than 5% of its:

- gross sales from the sale of inventory or other property purchased from its stockholders; **or**
- gross rentals from the rental of property purchased or leased from its stockholders; **or**
- total receipts, other than sales or rentals, from its stockholders.

Taxable DISCs are DISCs that don't meet the 5% test above. Taxable DISCs must file Form CT-3 or CT-3-A on or before the 15th day of the 9th month after the end of the tax year.

A parent corporation may elect to file a combined return with a taxable DISC, if it owns more than 80% of the DISC's voting capital stock. The ENI of a taxable DISC is zero.

Form CT-3M/4M, *General Business Corporation MTA Surcharge Return*, must be filed by a combined group taxable under Article 9-A that does business, employs capital, owns or leases property or maintains an office in the Metropolitan Commuter Transportation District (MCTD).

The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Form CT-8, *Claim for Credit or Refund of Corporation Tax Paid*, or an amended return, may be used to request a refund other than from an overpayment. To speed up processing of the claim, mail it separately from your annual return. A claim for refund based on a net operating loss (NOL) carryback must be filed within three years of the extended due date of the return for the loss year or within 27 months from the date of the federal credit or refund. A refund based on a federal change must be filed within two years from the date the federal change was required to be reported. All other claims for refunds must be received within three years from the date the return was filed, or two years from the date the tax was paid, whichever is later.

Form CT-9, *Claim for Tentative Refund Based Upon Carryback of Net Operating Loss*, or an amended return, may be used by all general business corporations requesting refunds from the carryback of a net operating loss (NOL).

Returns that are the basis for these refunds will be subject to review after the refunds have been processed. You must file the claim within 90 days after the receipt of the federal refund. Federal S corporations must file a claim within 15 months from the end of the loss year. For a full description of the limitation and requirements, see Form CT-9-I, *Instructions for Form CT-9.*

Form CT-33-D, *Tax on Premiums Paid or Payable to an Unauthorized Insurer*, must be filed if you have purchased or renewed a taxable insurance contract from an insurer not authorized to transact business in New York State. This return must be filed within 60 days following the end of the calendar quarter in which the contract was purchased or renewed.

Form CT-60-QSSS, *Qualified Subchapter S Subsidiary Information Schedule*, must be filed to notify the Tax Department that a qualified subchapter S subsidiary (QSSS) is included in your return. You must mark an ***X*** in the box on line C of Form CT-3-A, and attach Form CT-60-QSSS to your CT-3-A return.

Qualified subchapter S subsidiary (QSSS)

The filing requirements for a QSSS that is owned by a federal S corporation that is a New York C corporation or a nontaxpayer corporation are outlined below. When New York follows federal QSSS treatment, the parent and QSSS file a single franchise tax return. The QSSS is ignored as a separate taxable entity, and the assets, liabilities, income, and deductions of the QSSS are included on the parent's franchise tax return. However, for other taxes such as sales and excise taxes, and the license and maintenance fees imposed under Article 9, the QSSS will continue to be recognized as a separate corporation.

a. **Parent is a New York C corporation —** New York will follow the federal QSSS treatment if (1) the QSSS is a New York taxpayer, or (2) the QSSS is not a New York taxpayer, but the parent makes a QSSS inclusion election. In both cases, the parent and QSSS will be taxed as a single New York C corporation. If the parent does not make a QSSS inclusion election, it will file as a New York C corporation on a stand-alone basis.

b. **Nontaxpayer parent —** New York will follow the federal QSSS treatment when the QSSS is a New York taxpayer but the parent is not, if the parent elects to be taxed as a New York S corporation by filing Form CT-6. The parent and QSSS are taxed as a single New York S corporation and file on a joint basis. If the parent does not elect to be a New York S corporation, the QSSS must file as a New York C corporation on a stand-alone basis.

c. **Exception: excluded corporation —** Notwithstanding the above rules, QSSS treatment will not be allowed unless both parent and QSSS are general business corporations. That is, the corporations will have to file on a stand-alone basis if one is an Article 9-A taxpayer but the other is an Article 9, 32, or 33 taxpayer, or is a corporation that would be subject to those taxes if taxable in New York State.

When New York follows federal QSSS treatment, the QSSS is not considered a subsidiary of the parent member corporation.

Form CT-186-A, *Utility Services Tax Return — Gross Operating Income*, must be filed by a corporation not supervised by the New York State Department of Public Service that engages in the sale or furnishing of gas, electricity, steam, water, or refrigeration through the use of mains, pipes, or wires for ultimate consumption or use by the purchaser in New York State. The corporation must pay a tax on its gross operating income under Article 9 section 186-a.

Form CT-186-E, *Telecommunications Tax Return and Utility Services Tax Return,* or the short Form CT-186-EZ, *Telecommunications Tax Return – Short Form*, must be filed by a corporation that provides telecommunications services. The corporation must pay an excise tax on its gross receipts from the sale of telecommunications services under Article 9 section 186-e.

Form CT-222, *Underpayment of Estimated Tax by a Corporation*, will help the combined group determine if they have underpaid an estimated tax installment and, if so, compute the penalty due.

Form CT-240, *Foreign Corporation License Fee Return*, must be filed by a corporation organized outside New York State (except a nontaxpayer included in the group) to pay the license fee based on capital stock. This return must be filed when you file your first franchise tax return, or if capital stock employed in New York State has increased since the last license fee return was filed.

Form CT-245, *Maintenance Fee and Activities Return for a Foreign Corporation Disclaiming Tax Liability*, must be filed by a foreign corporation authorized to do business in New York State but disclaiming tax liability. The annual maintenance fee is $300, unless you file a short period return, which may reduce your maintenance fee to less than $300.

If it is determined that a franchise tax return is required, this fee may be claimed as a credit against any tax due under Article 9-A.

Form CT-399, *Depreciation Adjustment Schedule*, must be used by each corporation to compute the allowable New York State depreciation deduction if it claims:

1) the federal Accelerated Cost Recovery System (ACRS) depreciation and Modified Accelerated Cost Recovery System (MACRS) deduction for certain property placed in service after December 31, 1980; **or**
2) the 30%/50% federal special depreciation for certain property placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002.

This form also contains schedules for determining a New York State gain or loss on the disposition of ACRS/MACRS property and the 30%/50% federal special depreciation property. It is also used to compute the depreciation adjustment for the minimum taxable income (MTI) base.

Form CT-400, *Estimated Tax for Corporations*, must be filed if your New York State franchise tax liability can reasonably be expected to exceed $1,000.

Form CT-3360, *Federal Changes to Corporate Taxable Income*, must be filed to report any correction made by the Internal Revenue Service (IRS) in taxable income previously reported for any year, including changes based on the renegotiation of a government contract.

Form IT-204-LL, *Limited Liability Company/Limited Liability Partnership Filing Fee Payment Form*, must also be filed for tax years beginning in 2003 and 2004 by SMLLCs (that are treated as disregarded entities for federal income tax purposes and that have

income derived from New York State sources) to pay a mandatory filing fee of $100. Form IT-204-LL must be filed within 30 days after the last day of the tax year.

Form DTF-95, *Business Tax Account Update,* is used to report any changes in any member corporation's business name, identification number, mailing address, business address, telephone number, or owner/officer information if you have not previously notified us.

Form DTF-96, *Report of Address Change for Business Tax Accounts,* is used if only the member corporation's address has changed.

Consult **Publication 20, *New York State Tax Guide for New Businesses,*** for more information about other taxes that may apply to you.

When to file

File Form CT-3-A within 2½ months after the end of your reporting period. If your filing date falls on a Saturday, Sunday, or legal holiday, file your return on or before the next business day.

Extensions if you cannot meet the filing deadline

If you cannot meet the filing deadline, you must request a six-month extension of time by filing Form CT-5.3, *Request for Six-Month Extension to File Combined Franchise Tax Return, or Combined MTA Surcharge Return, or Both,* on or before the due date of the return.

You must pay the properly estimated combined franchise tax, combined minimum tax on member corporations, and combined MTA surcharge amounts due by the original due date of the tax return for which the extension is requested.

You may request up to two additional three-month extensions by filing Form CT-5.1, *Request for Additional Extension of Time to File (For franchise/business taxes, MTA surcharge, or both).* File it on or before the expiration date of the original extension.

Where to file

If payment is enclosed, mail returns to:

NYS CORPORATION TAX
PROCESSING UNIT
PO BOX 1909
ALBANY NY 12201-1909

If you have not enclosed payment, mail returns to:

NYS CORPORATION TAX
PROCESSING UNIT
PO BOX 22095
ALBANY NY 12201-2095

If you use a delivery service other than the U.S. Postal Service, see *Private delivery services* below.

Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return and pay tax. However, if, at a later date, you need to establish the date you filed your return or paid your tax, 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 26 of these instructions for information on ordering forms and publications.) If you have used a designated private delivery service and need to establish the date you filed your return, contact that private delivery service for instructions on how to obtain written proof of the date your return was given to the delivery service for delivery. If you use **any** private delivery service, whether it is a designated service or not, address your return to: State Processing Center, 431C Broadway, Albany NY 12204-4836.

Penalties and interest

If you pay after the due date

If the combined group does not pay the tax and MTA surcharge, if applicable, due on or before the original due date, it must pay interest on the amount of the underpayment from the original due date of the return (**without** regard to any extension of time to file.) Exclude from the interest computation any amount shown on line 85a or 85b. Interest is always due, without any exceptions, on any underpayment of tax. An extension of time for filing does not extend the due date for payment of tax.

If you file and pay after the due date

Compute additional charges for late filing and late payment on the amount of tax and MTA surcharge, if applicable, minus any payment made on or before the due date (**with** regard to any extension of time for filing.) Exclude from the penalty computation any amount shown on line 85a or 85b.

A. If you do not file a return when due, or if the request for extension is invalid, add to the tax 5% per month up to 25% (section 1085(a)(1)(A)).
B. If you do not file a return within 60 days of the due date, the addition to tax in item A cannot be less than the smaller of $100 or 100% of the amount required to be shown as tax (section 1085 (a)(1)(B)).
C. If you do not pay the tax shown on a return, add to the tax 1/2% per month, up to a total of 25% (section 1085 (a)(2)).
D. The total of the additional charges in items A and C may not exceed 5% for any one month except as provided for in item B (section 1085 (a)).

If you think the combined group is not liable for these additional charges, attach a statement to your return explaining the delay in filing, payment, or both (section 1085).

Note: You may compute your penalty and interest by accessing our Web site at *www.nystax.gov* and clicking on *Electronic Services,* or you may call 1 800 972-1233, and we will compute the penalty and interest for you.

If you understate your tax

If the tax you report is understated by 10% or $5,000, whichever is greater, you must pay a penalty of 10% of the amount of understated tax. You can reduce the amount on which you pay penalty by subtracting any item for which (1) there is or was substantial authority for the way you treated it, or (2) there is adequate disclosure on the return or in an attached statement (see Article 27, section 1085(k)).

If you underpay your estimated tax

If you can reasonably expect your New York State franchise tax liability to exceed $1,000, you must file a declaration of estimated tax, Form CT-400. A penalty will be imposed if you fail to file a declaration of estimated tax or fail to pay the entire installment payment of estimated tax due. For complete details see Form CT-222.

If you fail to provide information about interest paid to shareholders

Tax Law section 1085(n) provides for a penalty of $500 for failure to provide information about interest payments made to shareholders that were deducted in computing ENI. See instructions for lines 114 and 115 on page 13 (Article 27, section 1085(n)).

If you fail to provide information about your issuer's allocation percentage

Tax Law section 1085(o) provides for a penalty of $500 for failure to provide information needed to compute your issuer's allocation percentage. See instructions for line 41.

Other penalties

Strong civil and criminal penalties may be imposed for negligence or fraud. For more information contact the Business Tax Information Center (see *Need help?* on page 26 for address and telephone numbers).

Is this an amended return?

If your combined group is filing an amended return for any purpose, including an amended return filed with Forms CT-8 or CT-3360, please mark an ***X*** in the ***Amended return*** box on the front of the return.

Are you terminating your business?

Dissolution or surrender of authority — Voluntary dissolution or surrender of authority requires the consent of the Commissioner of Taxation and Finance. Do not mark a franchise tax return as ***Final*** or ***Out of business*** unless you have first contacted our Dissolution Unit. For detailed information about voluntary dissolution or surrender of authority see Publication 110, *Information and Instructions for Termination of Business Corporations.*

Corporations wishing to dissolve or surrender their authority to do business in New York must contact the Tax Department. Please call 1 800 327-9688 (Dissolution Unit) in the month you wish to stop conducting business in New York.

Any corporation included in the combined return must file a return on the date of cessation or the date of change of classification. However, if a corporation that is taxed on the basis of a combined return ceases to be subject to tax under Article 9-A or ceases to exercise its franchise but remains subject to tax, it may secure the permission of the Tax Commissioner to be included in the next combined return if it pays the fixed dollar minimum tax at the time of application for permission. (Regulation section 2-3.1 (d))

Reporting period

Your tax year for New York State must be the same as your federal tax year. Use this tax return for tax years beginning in 2004, both calendar and fiscal, and for short periods beginning in 2005 and ending before December 31, 2005. Complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

All corporations in the combined group must use the same accounting period. (Regulation section 6-3.2(b))

Taxpayers using a 52-53 week year

A taxpayer who reports on the basis of a 52-53 week accounting period for federal income tax purposes may report on the same basis for Article 9-A purposes. If a 52-53 week accounting period begins within seven days from the first day of any calendar month, the tax year is deemed to begin on the first day of that calendar month. If a 52-53 week accounting period ends within seven days from the last day of any calendar month, the tax period will be deemed to end on the last day of the calendar month. The requirement that members of a combined group must have the same accounting period is met if the 52-53 week filer's accounting period begins and ends within seven days of the beginning and ending date of the other members of the New York State combined group. (Regulation section 2-1.4(b))

Short periods — fixed dollar minimum tax and maintenance fee

Compute the gross payroll and total receipts for short periods (tax periods of less than 12 months) by dividing the amount of gross payroll and total receipts by the number of months in the short period and multiplying the result by 12.

The fixed dollar minimum tax and maintenance fee may be reduced for short periods:

Period	Reduction
— Not more than 6 months	50%
— More than 6 months but not more than 9 months	25%
— More than 9 months	None

You are subject to the maintenance fee for the entire period in which you are authorized in New York State regardless of whether you were actually doing business in New York State.

Overview of corporation franchise tax

Tax bases

Combined groups subject to Article 9-A of the Tax Law must compute four distinct taxes and pay the tax that results in the highest amount owed. The four taxes include a tax on combined ENI, a tax on combined business and investment capital, a tax on combined MTI, and a fixed dollar minimum tax. In addition, if a member of the group has any subsidiaries that are not included in the combined return, the group must pay a tax on such subsidiary capital.

How to avoid an erroneous assessment based on fixed dollar minimum tax rates

Your fixed dollar minimum tax is determined by the corporation's gross payroll, total receipts, and average value of gross assets.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on Form CT-3-A, lines 74a, 74b, and 74c for the parent and on Form CT-3-A/C, lines 1a, 1b, and 1c for each taxable subsidiary. If you do not have payroll, receipts, or assets, enter ***0*** on the appropriate lines.

Tax rates schedule

Tax base	
Table I - ENI base for general business taxpayers	.075
Table II - ENI base for qualified small business taxpayers	
ENI base of $200,000 or less:	.0685
ENI base of more than $200,000 but not more than $290,000:	• $13,700 *plus* • 7.5% of the amount over $200,000 *plus* • 3.25% of the amount over $250,000
Table III - Capital base	.00178
Table IV - Capital base for qualified cooperative housing corporation*	.0004
Table V - MTI base	.025
Table VI - Fixed dollar minimum tax You must compute a fixed dollar minimum tax for each member of the combined filing group, except a foreign corporation that is included in the combined group but is not taxable in New York State.	
For a corporation with a gross payroll of:	**The fixed dollar minimum tax equals:**
$25,000,000 or more	$10,000
Less than $25,000,000 but more than $6,250,000	5,000
Not more than $6,250,000 but more than $1,000,000	425
Not more than $1,000,000 but more than $500,000	325
$500,000 or less	100 **
However, if the corporation's gross payroll, total receipts, and average value of gross assets are each $1,000 or less:	800
Table VII - Subsidiary capital base	.0009

*See *cooperative housing corporations* on page 6.

****Foreign authorized corporations:** If the total of your tax and MTA surcharge is less than $300, you must increase your payment accordingly to satisfy the $300 maintenance fee requirement, except in those instances when you file a short period return and your maintenance fee may be less then $300. If you file a short period return, refer to *Short periods - fixed dollar minimum tax and maintenance fee* above.

Failure to make an entry on each line may result in an assessment of tax, or a reduction of your refund or credit.

Cooperative housing corporations

A qualified cooperative housing corporation is entitled to use a reduced tax rate of .0004 when computing its tax using the capital base.

A corporation that has only one class of stock that entitles the shareholder to live in a house or an apartment in a building owned or leased by the corporation, may be a cooperative housing corporation. For a complete definition, see IRC section 216.

How to fill out your tax return

Important identifying information

When preparing your corporation tax return, please be sure to accurately complete the corporation's identifying information including your current address. Enter your **employer identification number** and **file number** just above your corporation name and address. Keep a record of your identifying information for future use.

If you use a paid preparer or accounting firm, make sure they use your complete and accurate information when completing all your forms.

Are you claiming an overpayment?

If you are claiming an overpayment on line 95 of Form CT-3-A, mark an ***X*** in the appropriate box on the front of your return.

Name, address, and business information

Enter the corporation's legal name and also enter the corporation's mailing name if different from the corporation's legal name.

If your address has changed, please enter your new address in the appropriate area and mark an ***X*** in the box below the address so that we can update your address for this tax type. Do not mark an ***X*** in this box for any change of business information other than for your address.

You must report any changes in your business name, ID number, mailing address, physical address, telephone number, or owner/officer information on Form DTF-95, *Business Tax Account Update*. If only your address has changed, you may use Form DTF-96, *Report of Address Change for Business Tax Accounts*, to correct your address for this and all other tax types. You can get these forms from our Web site, by fax, or by phone. See *Need help?* on page 26 for the phone number and Web address.

NAICS code and principal business activity

Enter the six-digit NAICS business activity code number and principal business activity from your federal return.

Whole dollar amounts

You may elect to show amounts in whole dollars rather than in dollars and cents. Round any amount from 50 cents through 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.

Negative amounts

Show any negative amounts with a minus (-) sign.

Percentages

When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Carry percentages to four decimal places.

Example: *5,000/7,500 = .6666666 = 66.6667%.*

Signature

The combined return (Form CT-3-A) must be certified by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer authorized by the parent corporation.

The return of an association, publicly traded partnership, or business conducted by a trustee or trustees must be signed by a person authorized to act for the association, publicly traded partnership, or business.

If an outside individual or firm prepared the return, the signature of the person and the name, address, and identification number of the firm must be included. Failure to sign the return will delay the processing of any refunds and may result in penalties.

Is your return in processible form?

Returns must be prepared in a manner that will permit their routine handling and processing. We will not pay interest on an overpayment of taxes until the return is in processible form, which includes a required signature.

Use of reproduced and computerized forms

Photocopies of returns are acceptable if they are of good quality and have original signatures in the proper place.

We will accept computer-produced corporation tax returns if they meet our printing specifications. For more information see Publication 76, *Specifications for Reproduction of New York State Corporation Tax Forms.*

Form CT-3-A/B exception: A computer printout that replicates all the information requested on Form CT-3-A/B may be substituted for the actual form. The printout may be reduced to fit on an 8½ by 11 inch sheet of paper. This exception applies to Form CT-3-A/B only. It does not apply to Form CT-3-A or any other corporation tax form.

Line instructions for Forms CT-3-A and CT-3-A/B

General explanation — Corporations in the combined group must compute combined ENI, combined business and investment capital, and combined MTI according to 20 NYCRR, sections 3-2.10, 3-3.8, and 3-4.5, respectively.

Form CT-3-A is the form on which the combined tax is computed. The form provides a column A for the parent and a subsidiary column B for the other members of the group. If there is only one member of the group other than the parent, the figures of the member are entered in column B of Form CT-3-A. If there are two or more members of the group other than the parent, the figures for the subsidiary column on Form CT-3-A are obtained from Form CT-3-A/B.

Columns A and B on Form CT-3-A are then added together, and the subtotal is indicated in column C. Enter in column D any intercorporate eliminations. Attach a list of any intercorporate eliminations for each corporation in the combined return. Subtract column D from the subtotal in column C and enter the balance in column E.

Form CT-3-A/B provides a column for each member in the group other than the parent corporation. The columns are added together and the totals are then carried to the subsidiary column B on Form CT-3-A.

The line instructions below are used for Forms CT-3-A and CT-3-A/B.

The shaded areas of Forms CT-3-A and CT-3-A/B are non-entry areas.

Line A — Make your payment in United States funds. We will accept a foreign check or foreign money order only if payable through a United States bank or if marked ***Payable in U.S. Funds.***

Line D — Indicate which type of federal return was filed, and list any year during the past five for which any corporation in the combined group was audited by the IRS on line 110.

New way to indicate whether you need a tax packet

Line E — If you do not need a tax packet mailed to you next year, you must now simply skip line E and **make no mark in the box**. This is a new procedure that will help us save tax dollars by reducing our printing and mailing costs. You probably will not need a packet if, for example, you use a paid preparer or a software program to prepare your return. Instead of a packet, we will send you a Form TP-1.1, which you or your preparer should use to confirm your employer identification number, file number, and mailing information on your return next year. Form TP-1.1 also describes other options for obtaining any forms you may need.

If you do need a tax packet mailed to you for next year's taxes, mark an ***X*** in the line E box. **You must now mark the box to receive a packet.**

Computation of combined entire net income (ENI) base

Lines 1 through 17

Line 1 — Enter federal taxable income (FTI) (before net operating loss (NOL) and special deductions) as required to be reported to the U.S. Treasury Department.

— If you file federal Form 1120, use the amount from line 28.

— If you file federal Form 1120-A, use the amount from line 24.

— If you are an S corporation filing federal Form 1120S but you have not made an election to be treated as a New York State S corporation, you must determine the amount you would have had to report as FTI (before NOL and special deductions) were you not a federal S corporation. Attach a separate sheet showing how you determined this amount. In general, the items affected are:
- Dividends — Form 1120, line 4
- Interest — Form 1120, line 5
- Gross rents — Form 1120, line 6
- Gross royalties — Form 1120, line 7
- Capital gain net income — Form 1120, line 8
- Charitable contributions — Form 1120, line 19

— If you are exempt from federal income tax but subject to New York State franchise tax, you must determine the amount you would have had to report as FTI (before NOL and special deductions) were you not exempt. Attach a separate sheet showing how the amount was determined.

If you are a member of a federal affiliated group that files a consolidated return, and the state combined group is the same as the federal group, or if all members of the state group are included in a larger federal group filing the consolidated return, attach a copy of the federal consolidated return and the consolidating workpapers indicating the separate taxable income of each corporation before elimination of intercorporate transactions. If some members of the state combined group are not included in the federal consolidated return, but instead file separately, send a copy of the federal consolidated return plus a complete copy of the separate federal return, as filed with the IRS, for each corporation not included in the federal consolidated group.

When computing combined NYS ENI on the combined return, all intercorporate dividends (except dividends from a DISC or former DISC not exempt from tax under Article 9-A) must be eliminated on line 1, column D. Capital losses should be offset against capital gains, contributions should be deducted and intercorporate profits should be treated as if each corporation in the group had filed its federal income tax return on a separate basis. However, corporations may offset capital losses against capital gains, deduct contributions and defer intercorporate profits as if the corporations in the group had filed a consolidated federal income tax return, provided the group of corporations included in the combined return consistently compute combined ENI by this method. Changes in the method of computing combined ENI may be made only with the approval of the commissioner. (Regulation section 3-2.10)

Lines 2 through 8 — Additions

Use lines 2 through 8 to add items that are not included in FTI but must be included in New York State ENI.

Line 2 — Enter all interest received or accrued from federal, state, municipal and other obligations that was exempt from federal income tax and is, therefore, not included on line 1. You may deduct from this amount any expenses attributable to that interest but denied deductibility under IRC section 265. Attach a list of items included on this line.

Line 3 — Enter the amount deducted in computing FTI for interest on indebtedness paid to a corporate stockholder owning more than 50% of your issued and outstanding voting stock. If you do not make this entry, the indebtedness will not constitute subsidiary capital in the hands of such corporate stockholder, and the stockholder will not be allowed to exclude the interest from its ENI as income from subsidiary capital. Interest on indebtedness paid to a corporate stockholder is only required to be added back to ENI by the payor, when the stockholder payee has deducted the interest as income attributable to subsidiary capital on its New York State franchise tax return.

Lines 4a, 4b, 5a, and 5b — Expenses attributable to subsidiary capital

Complete lines 4a, 4b, 5a, and 5b to report any expenses directly or indirectly attributable to combined subsidiary capital. The term *combined subsidiary capital,* as used in these instructions for lines 4a, 4b, 5a, and 5b, means stocks or indebtedness of a corporation not included on this return that constitute subsidiary capital includable on line 220, column E (otherwise, enter ***0*** on lines 4a, 4b, 5a, and 5b).

Taxpayers should refer to TSB-M-88(5)C for complete details regarding the attribution of **interest** expenses and TSB-M-95(2)C regarding the attribution of **noninterest** expenses.

A *subsidiary* is a corporation (except a DISC) of which over 50% of the number of shares entitling the holders to vote for the election of directors or trustees is owned by the taxpayer. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books for the issuing corporation. Actual beneficial ownership of stock does not mean indirect ownership or control of a corporation through a corporate structure consisting of several tiers, chains, or both. See NYCRR 3-6.2 for additional information.

Subsidiary capital is the value of certain assets reduced by attributable liabilities. These assets include all investments in the stock of subsidiary corporations plus all debts from subsidiary corporations (other than accounts receivable acquired for services rendered or property sold to customers in the ordinary course of business), whether or not evidenced by bonds or other written instruments, on which interest is not claimed and deducted by the subsidiary under New York State Tax Law Article 9-A, 32, or 33. See 20 NYCRR 3-6.3 for additional information.

Line 4a — Enter the amount of **interest** deductions allowed in the computation of ENI (includable in the amount of *Line 5a Worksheet,* line E, on page 23) that are **directly** attributable to combined subsidiary capital (or to income, losses, or gains from combined subsidiary capital).

Line 4b — Enter the amount of **noninterest** deductions allowed in the computation of ENI (includable in the amount of *Line 5b Worksheet,* line E, on page 24) that are **directly** attributable to combined subsidiary capital (or to income, losses, or gains from combined subsidiary capital).

The direct attribution of deductions is based on an analysis of facts and circumstances. Deductions directly attributable to combined subsidiary capital or income include, but are not limited to, the following:

— Interest on debt incurred to buy combined subsidiary capital.

— Salaries of employees engaged in the management, supervision, or conservation of combined subsidiary capital.

— Expenses for legal advice relating to the acquisition of subsidiary capital.

— Stewardship deductions relating to combined subsidiary capital.

Do not include on lines 4a and 4b interest deductions or noninterest deductions that are directly attributable to:

— Combined investment capital (or to income, losses, or gains from investment capital); see Form CT-3-A, line 209 or line 210.

— Combined business capital (or to income, losses or gains from business capital). **Note:** For tax years beginning in 1995 or after, certain expenses may, at the taxpayer's election, be **deemed** to be directly attributable to business capital (or income, losses, or gains from business capital). These expenses include, among others: depletion, advertising, research and development expenses, compensation packages of chief executive officer, chief financial officer, and chief operating officer, charitable contributions, and internal auditing expenses. For a complete listing of deductions **deemed** attributable to business capital, see section III (A)(1) of TSB-M-95(2)C.

If at least 95% of the noninterest deductions of an operating division, corporation, or a combined group are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division, corporation, or combined group may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Line 5a — Enter the amount of **interest** deductions that are **indirectly** attributable to combined subsidiary capital or to income, gains, or losses from combined subsidiary capital (from *Line 5a Worksheet,* line N, on page 23).

Line 5b — Enter the amount of **noninterest** deductions that are **indirectly** attributable to combined subsidiary capital or to income, gains, or losses from combined subsidiary capital (from *Line 5b Worksheet,* line R, on page 24).

Line 6 — Enter the amount deducted on your federal return for New York taxes imposed under Article 9, sections 183, 183-a, 184, 184-a, and Articles 9-A and 32. This includes the MTA surcharge. However, do not include New York City taxes. Include the amount deducted for taxes paid or accrued to the United States, its possessions, other U.S. states, their political subdivisions, any foreign country, and the District of Columbia, if the taxes are on or are measured by profits or income or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 7 — Use this line if one or more of the following applies:

— the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** in or outside New York State after 1980 in tax periods beginning before 1985; **or**

— the corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984, and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property; **or**

— the corporation claims the 30%/50% federal special depreciation deduction under IRC section 168(k) for property (excluding qualified resurgence zone property described in Tax Law section 208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; **or**

— the corporation disposes of ACRS/MACRS property, or property for which the 30%/50% federal special depreciation was claimed this year, and the New York depreciation modifications applied in prior years.

If this line applies, complete Form CT-399. Include from Form CT-399, Part I, line 3, column E, the amount of your federal deduction that must be added back to FTI, or, if you disposed of property this year, use the amount from CT-399, Part III, line 10, column A. (Enter your recomputed deduction on line 14 of this form.)

Line 8 — If you have any of the other additions to FTI listed below, enter the total amount of those additions and attach a list.

Note: The foreign trade income of an FSC, which is excluded from gross income for federal income tax purposes, is not required to be added back in determining New York State ENI (Regulation section 3-2.2(d)).

A-1 Optional depreciation: If you have claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, you must include on this line any depreciation and any federal losses on the disposition of that property that you deducted from gross income when determining FTI. Make the adjustment for New York gain or loss on qualified New York State property on line 23. See additional instructions for line 15, S-1. Attach Form CT-324, *Schedule of Optional Depreciation on Qualified New York Property*.

A-2 If you are claiming a special additional mortgage recording tax credit (section 210.17), you must include on this line the amount claimed as a credit and used as a deduction in the computation of FTI. The gain on the sale of real property on which you claimed the special additional mortgage recording tax credit must be increased when all or any part of the credit was also used in the basis for computing the federal gain.

A-3 If your corporation has a safe harbor lease you must include:

— Any amount you claimed as a deduction in computing FTI solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983.

— Any amount you would have been required to include in the computation of your FTI if you had not made the election permitted under IRC section 168(f)(8) as it was in effect on December 31, 1983.

A-4 When a member of a selling consolidated group, as defined in IRC section 338(h)(10), has made an election under such section, any loss on the sale or exchange of stock of a target corporation must be included on this line. (20 NYCRR 3-2.2(c))

A-5 If you are claiming a farmers' school tax credit, you must include on this line the amount of real property taxes paid on qualified agricultural property and deducted in determining FTI, to the extent of the amount of the credit allowed under section 210.22.

A-6 Qualified emerging technology investments (QETI) - If you elected to defer the gain from the sale of QETI, then you must add to FTI the amount previously deferred when the reinvestment in the New York qualified emerging technology company that qualified you for that deferral is sold. See subtraction S-7, page 9.

A-7 Qualified public utility corporations must make the required addbacks pursuant to New York State Tax Law section 208.9(c-2). Qualified power producers and qualified pipeline corporations must make the required addbacks pursuant to Tax Law section 208.9(c-3).

A-8 Amount of related member royalty expense required to be added back pursuant to Tax Law section 208.9(o).

A-9 Amount of SUV depreciation required to be added back pursuant to Tax Law section 208.9(b)(16).

Lines 10 through 16 — Subtractions

Use lines 10 through 16 to subtract items that are included in FTI but should not be included in New York ENI.

Line 10 — Complete lines 216 through 219 and enter the amount from line 219, reduced by the amount of intercorporate dividends included on line 1, column D. This amount must include capital gains and any other income and gain from subsidiary capital that was included as part of FTI. You must include as subsidiary dividends subpart F income received from a controlled foreign corporation in which you own more than 50% of the voting stock (see federal Form 1120, Schedule C, line 14). Do not include foreign dividend gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

Line 11 — Enter 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 246(c). Include 50% of subpart F income received from a controlled foreign corporation in which you own 50% or less of the voting stock (see federal Form 1120, Schedule C, line 14). Include 50% of the dividends received from a money market mutual fund included as investment capital (cash) on Form CT-3-A, line 200. Do not include the grossed-up dividends, under IRC section 78. For more information, see TSB-M-89(14)C.

If you are a regulated investment company or a real estate investment trust (REIT), you do not qualify for a deduction for dividends received from nonsubsidiary stock.

Line 12 — Enter foreign dividend gross-up pursuant to IRC section 78 (see federal Form 1120, Schedule C, line 15). ENI **does not** include any amount treated as dividends pursuant to IRC section 78 (section 208.9(a)(6)).

Line 13 — Enter any New York NOL carried forward from prior years. The combined net operating loss deduction (NOLD) is subject to the same limitations that would apply for the federal income tax as if the same corporations filed on a consolidated basis, except for the $10,000 limitation on carrybacks. Attach a separate sheet with full details of both federal and New York NOL computations. For detailed information, see Regulations section 3-8.7.

These rules apply:

- IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b) and (g).
  - For NOLs incurred in tax years beginning **after** August 5, 1997, the NOL may be carried back two years (with an exception for certain disaster losses) and carried forward for 20 years.
  - For NOLs incurred in tax years beginning **on or before** August 5, 1997, the NOL may be carried back three years and carried forward 15 years.
  - For certain NOLs incurred in tax years ending in 2001 and 2002, the NOL or ANOL may be carried back five years unless the taxpayer elects for federal tax purposes to disregard the five-year carryback. If you are claiming a five-year carryback, please attach a schedule of the computation.

- If the combined group has elected to carry back an NOL for federal tax, the group may carry back only the first $10,000 of the group's NOL to the preceding years. Use an amended return or Form CT-9, *Claim for Tentative Refund Based Upon Carryback of Net Operating Loss.*
- Any portion of the $10,000 NOL not used as a carryback may be carried forward.
- If you have elected for federal tax purposes to relinquish the carryback of an NOL, you may not carry back an NOL for state tax purposes, and you must submit a copy of your federal election.
- No deduction is allowed for an NOL sustained during any year in which the corporation was not subject to tax under Article 9-A.
- The New York NOLD for any particular year is limited to the federal NOLD for that year. (For the purposes of this limitation, a corporation that has elected to carry back up to $10,000 of its NOL for New York State purposes should compute its federal NOLD as if it only carried back the same $10,000.)
- A New York C corporation is not allowed a deduction for an NOL sustained during a New York S year.
- A New York S year is treated as a tax year for purposes of determining the number of tax years to which the NOL may be carried back or forward (Tax Law section 208.9(f)(4)).
- A REIT is allowed a deduction for NOLs.
- These rules also apply to a federal S corporation not electing New York S corporation treatment. These corporations should compute their NOLs and NOLDs as if filing on a pro forma or separate basis for federal income tax purposes. However, instead of a copy of the federal election to relinquish the carryback of an NOL, a request in writing to relinquish the carryback must be filed on or before the due date (or extended due date) of the return for the loss year. Any corporation that does not make a timely election with the Tax Department must carry the first $10,000 of the NOL back before the loss can be carried forward.

Special NOL provisions apply to aviation corporations (see *Aviation corporations* below.)

Aviation corporations

Corporations principally engaged in aviation are taxable under Article 9-A and may claim an NOLD in the same manner as other Article 9-A corporations. Air freight forwarders acting as principal and like indirect carriers are limited to NOLs sustained in years that they were taxable under Article 9-A.

Aviation corporations (other than air freight forwarders acting as principal and like indirect air carriers) may carry forward any NOLs sustained during the federal tax periods covering the years 1985 through 1988, if they were taxed under Article 9 sections 183 and 184 during those periods.

The New York State NOL must be computed as if the corporation had filed Form CT-3 for the tax years 1985 through 1988 and treated as if the loss had been sustained in the tax year immediately preceding its first Article 9-A tax year. The 1985-1988 NOL must be carried forward.

Line 14 — Use this line if one or more of the following applies:

— the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** in or outside New York State after 1980 in tax periods beginning before 1985; **or**

— the corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property; **or**

— the corporation claims the 30%/50% federal special depreciation deduction under IRC section 168(k) for property (excluding qualified resurgence zone property described in Tax Law section 208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; **or**

— the corporation disposes of ACRS/MACRS property, or property for which the 30%/50% federal special depreciation was claimed this year, and the New York depreciation modifications applied in prior years.

If this line applies, enter the amount from Form CT-399, Part I, line 3, column I, or, if you have disposed of property this year, use the amount from Form CT-399, Part III, line 10, column B, and attach the form. For more information, see Form CT-399, *Depreciation Adjustment Schedule.*

Line 15 — If you have any of the following other subtractions from FTI, enter the total amount of those subtractions and attach a list.

S-1 Optional depreciation: If you claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, include on this line any federal gain on the disposition of qualified property that was included in FTI. Make the adjustment for New York State gain or loss on qualified New York property on line 23. See additional instructions for line 8, A-1. Attach Form CT-324, *Schedule of Optional Depreciation on Qualified New York Property.*

S-2 Receipts from the operation of school buses: Include all receipts from the transportation of pupils, teachers, and others acting in a supervisory capacity to and from school or school activities, less any deductions allowed in computing FTI that are directly or indirectly attributable to those receipts.

S-3 Include any refund or credit of a tax imposed under Tax Law Article 9-A or Article 32, for which no exclusion or deduction was allowed in determining the taxpayer's ENI for any prior year, or any refund or credit of a tax imposed under Tax Law section 183, 183-a, 184, or 184-a. Do not include on this line any refund or credit of tax that was used to offset an addition of tax on line 6. Do not include any refund or credit of New York City taxes.

S-4 Include the amount of wages disallowed under IRC section 280C in the computation of your FTI because you claimed a federal credit. Attach a copy of the appropriate federal credit form.

S-5 If your corporation has a safe harbor lease, include the following items:

— Any amount included in your FTI solely as a result of an election made under IRC section 168(f)(8), as it was in effect on December 31, 1983.

— Any amount you could have excluded from FTI if you had not made the election provided for in IRC section 168(f)(8), as it was in effect on December 31, 1983.

Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from these adjustments.

S-6 If you are a member of a selling consolidated group, as defined in IRC section 338(h)(10), and have made an election under that section, you may be required to include any gain on the sale or exchange of stock of a target corporation on this line. (20 NYCRR 3-2.2(c))

S-7 You may defer the gain on the sale of qualified emerging technology investments (QETI) that are (1) held for more than 36 months and (2) rolled over into the purchase of a QETI within 365 days. Replacement QETI must be purchased within the 365-day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the sale of the original QETI exceeds the cost of replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. You must addback the gain deferred in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from FTI the amount of the gain deferral (to the extent the gain is included in federal taxable income). If purchase of the replacement QETI within the 365-day period occurs in the same tax year as the sale of the original QETI, or in the following tax year and before the date the corporation's franchise tax return is filed, take the deduction on that return. If purchase of the replacement QETI within the 365-day period occurs in the following tax year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction.

For a definition of a qualified emerging technology company (QETC) and QETI, see TSB-M-98(7)C, pages 5 and 6.

S-8 Victims or targets of Nazi persecution: Include the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of these victims

or targets, if included in your FTI. Do not include amounts received from assets acquired with such assets or with the proceeds from the sale of such assets (Tax Law section 13).

S-9 Qualified public utilities must make deductions pursuant to New York State Tax Law section 208.9(c-2), and qualified power producers and qualified pipeline corporations must make deductions pursuant to section 208.9(c-3).

For more information, see instructions for Schedule C - *Qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations* on page 20.

S-10 Amount of related member royalty income required to be subtracted pursuant to Tax Law section 208.9(o).

S-11 Amount of SUV recapture required to be subtracted pursuant to Tax Law section 208.9(a)(16).

Lines 18 through 24 — Combined ENI base

The *combined ENI base* is the portion of your combined ENI allocated to New York State with certain adjustments. It may consist of both combined business and investment income.

Line 18 — Enter the amount of combined investment income from line 215. Do not enter more than the amount on line 17. If you had no investment income, enter ***0***.

Line 21 — Multiply line 19 by your combined business allocation percentage from lines 128, 160, or 163. If you claim a combined business allocation of 100%, enter the full amount from line 19.

Line 23 — You may claim a deduction for optional depreciation on this line. Include any gain or loss on the disposition of property on which optional depreciation was claimed. Attach Form CT-324.

Line 24 — If line 23 is a gain, add lines 22 and 23. If line 23 is a loss, subtract line 23 from line 22. This is your combined ENI base.

Line 25 — Combined ENI base tax computation

General business taxpayers

If you do not qualify as a small business taxpayer, as defined below, multiply line 24 by 7.5% (.075) and enter the result on lines 25 and 72, then continue with line 26.

Small business taxpayers

If your ENI base is $200,000 or less, multiply line 24 by 6.85% (.0685) and enter the result on lines 25 and 72, then continue with line 26.

Complete lines 116 and 117 if you use the small business taxpayer rate.

If your ENI base is more than $200,000, but not over $290,000, your effective rate will be between 6.85% and 7.5% and your tax is:

1. $13,700 ($200,000 multiplied by 6.85%); **plus**
2. 7.5% of any amount over $200,000, but less than $290,000; **plus**
3. 3.25% of any amount over $250,000.

Use worksheet below to compute your tax.

ENI base from line 24	_____	..... A	13,700
Subtract	200,000		
Multiply balance	_____	by .075 = B	_____
Subtract	50,000		
Multiply balance	_____	by .0325 = C	_____
Total *(add lines A, B, and C and enter the result here and on lines 25 and 72)*			_____

A small business taxpayer's tax on the ENI base will never exceed $21,750 for the tax period.

Small business taxpayers definition

A combined group qualifies as a small business taxpayer if all of the following apply:

— Its combined ENI (before allocation) is not more than $290,000; **and**

— The total amount of money and other property the members received in the aggregate for stock, as a contribution to capital and as paid-in surplus, is not more than $1 million as of the last day of the tax year; **and**

— No member of the group is part of an affiliated group, as defined in IRC section 1504, unless the affiliated group itself would have met the above criteria if it had filed a combined return.

Short periods: A corporation that files a CT-3-A for a tax year of less than one year (12 months) must annualize combined ENI from Form CT-3-A, line 17, to determine if it qualifies as a small business taxpayer. Annualize the combined ENI by dividing it by the number of months in the short period and multiplying the result by 12.

Computation of combined capital base

Lines 26 through 41

When computing combined business capital and combined investment capital, all intercorporate stockholdings, intercorporate bills, intercorporate notes receivable and payable, intercorporate accounts receivable and payable, and other intercorporate indebtedness must be eliminated.

To determine the value of your assets for the combined capital base computations, you must include real property and marketable securities at fair market value. All other property must be included at the value shown on your books in accordance with generally accepted accounting principles. Use lines 26 through 30 to adjust the value of the assets you reported on your federal return. If you are not required to complete the balance sheet on your federal tax return, use the amount that would have been reported on the federal return.

On lines 26 through 31, use the average value method. Average value is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis such as monthly, weekly, or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

Line 29 — Enter the fair market value of real property and marketable securities included on line 27. The *fair market value* of an asset is the price (without deduction of an encumbrance whether or not the taxpayer is personally liable) at which a willing seller will sell and a willing purchaser will buy. You can generally find the fair market value of marketable securities from price quotes in financial newspapers. See TSB-M-85(18.1)C for determination of fair market value of real property.

Line 31 — Enter the amount of all liabilities, direct or indirect, attributable to assets on line 26, both long and short term.

Use the same method of averaging used to determine average value of assets.

Line 38 — If you claim a combined business allocation of 100%, enter the full amount from line 36.

Line 40 — Combined capital base tax computation: Multiply line 39 by the tax rate of .00178. Cooperative housing corporations multiply line 39 by .0004. Enter the result on line 73, but do not enter more than $350,000. An exemption from this computation is available to a small business concern in its first two years as a taxpayer. See Tax Law section 210.1-c.

Note: All cooperative housing corporations are required to file Form TP-588 semiannually. Please refer to the instructions on Form TP-588 for more information.

Short periods – If a tax return is for a period of less than 12 months, determine the amount of combined capital by multiplying the average value by the number of months covered by the return and dividing by 12. See 20 NYCRR section 3-3.7.

Line 41 — The combined **issuer's allocation percentage** represents the amount of capital employed by the combined group within New York State compared to the total combined capital employed everywhere. If each member of the combined group does not supply the information needed to compute the combined issuer's allocation percentage, the parent may have to pay a $500 penalty.

To determine the percentage, add line 39 (combined capital base), line 223, column E (combined subsidiary capital base), and the total from Schedule B, line 11 (deduction from subsidiary capital for corporations subject to tax under Article 32, Article 33, or Article 9 section 186) of each filed Form CT-3-A/ATT. Divide this amount by the amount on line 32 (total capital). If you have no subsidiary capital, divide the line 39 amount by the line 32 amount.

Computation of combined minimum taxable income (MTI) base

Lines 42 through 71

When computing combined MTI, all intercorporate dividends (except dividends from a DISC or a former DISC not exempt from tax under Article 9-A) must be eliminated. Capital losses should be offset against capital gains, contributions should be deducted and intercorporate profits should be treated as if each corporation in the combined group had filed its federal income tax return on a separate basis. However, corporations may offset capital losses against capital gains, deduct contributions and defer intercorporate profits as if the group had filed a consolidated federal income tax return, provided the corporations in the group consistently computes combined MTI by this method. Changes in the method of computing combined MTI may be made only with the approval of the commissioner.

The calculation of combined MTI requires the addition to ENI of federal tax preference items, the addition or subtraction of certain federal adjustments used to compute federal alternative MTI, the addition of the New York State NOLD and the subtraction of the alternative net operating loss deduction (ANOLD). MTI is allocated by the use of an alternative business allocation percentage and the regular investment allocation percentage. See Tax Law sections 208.8-B, 210.1(c), and 210.3-a; and TSB-M-90(13)C and TSB-M-94(5)C.

The Tax Law also provides for a minimum tax credit, available for use against tax computed on the ENI base. The credit is designed to prevent double-counting of income that might otherwise arise because of timing items of tax preference and adjustments. See Article 9-A, section 210.13, and Form CT-38.

You must determine an MTI base and tax, whether or not you file federal Form 4626.

Lines 43 through 50 – Adjustments — Enter ***0*** on any line that does not apply to you. Show any negative amounts with a minus (-) sign.

Line 43 — If you are required to complete Form CT-399, Part IV, *Minimum taxable income base depreciation adjustment*, enter the amount from Form CT-399, Part IV, lines 15 or 16.

If you are not required to complete Form CT-399, Part IV, enter the amount from federal Form 4626, line 2a. However, if you are not required to file federal Form 4626, compute the amount which would have been required to be reported on line 2a of this form.

Attach a copy of federal Form 4626 to this form.

Line 44 — Enter the federal item of adjustment for mining exploration and development costs as determined in IRC section 56(a)(2) (from federal Form 4626, line 2c).

Line 45 — Enter the federal item of adjustment for circulation expenditures of personal holding companies as determined under IRC section 56(b)(2) (from federal Form 4626, line 2d).

Line 46 — Enter the federal item of adjustment for adjusted gain or loss determined under IRC section 56(a)(7) (from federal Form 4626, line 2e), modified as follows.

Do not include any basis adjustment made in determining the gain or loss from the sale or exchange of pollution control facilities.

Line 47 — Enter the federal item of adjustment for the treatment of certain long-term contracts as determined under IRC section 56(a)(3) (from federal Form 4626, line 2f).

Line 48 — Enter the federal item of adjustment for installment sales of certain property as determined under IRC section 56(a)(6) (from federal Form 4626, line 2o).

Line 49 — Enter the federal item of adjustment for merchant marine capital construction funds as determined under IRC section 56(c)(2) (from federal Form 4626, line 2g).

Line 50 — Enter the federal item of adjustment for disallowance of passive activity loss as determined under IRC section 58(b) (from federal Form 4626, line 2j).

Lines 52, 53 and 54 – Tax preference items

Line 52 — Enter the federal item of preference for depletion as determined under IRC section 57(a)(1) (from federal Form 4626, line 2l).

Line 53 — Enter the federal item of preference for the carryover of appreciated property charitable deduction determined under IRC section 57(a)(6).

Line 54 — Enter the federal item of preference for intangible drilling costs as determined under IRC section 57(a)(2) (from federal Form 4626, line 2n).

Line 56 — Enter the combined NOLD in the computation of combined ENI base from Form CT-3-A, line 13. Include only the amount permitted on line 13 of Form CT-3-A. See instructions for line 13 on page 8 of these instructions.

Line 58 — Enter your combined ANOLD. Attach a separate sheet with full details of the New York State alternative net operating losses (ANOLs) claimed.

The ANOLD is determined in the manner described in the instructions for computing the regular NOLD for line 13, except that the NOL for any year beginning after 1989 that is included in the ANOLD must be redetermined with the adjustments and tax preferences required to be used in computing the MTI for that year. (Note that the required addback of regular NOLD is not an adjustment or tax preference.) An item of tax preference is taken into account only to the extent it increased the regular NOL. In determining the ANOL carrying into the ANOLD of any given year, the following rules apply:

- Losses from years when the taxpayer was not subject to Article 9-A are excluded.
- Pre-1990 NOLs available for carryforward to 1990 under the regular tax are available for carryforward to 1990 under the minimum tax, and without the application of minimum tax adjustments.
- ANOLs must be carried to the appropriate carry years, whether or not the tax on MTI is the highest tax for the particular carry year.
- ANOLs must be carried using the conventions of IRC section 172(b)(2); that is
  - For NOLs incurred in tax years beginning **after** August 5, 1997, the ANOL may be carried back 2 years (with an exception for certain disaster losses) and carried forward 20 years.
  - For NOLs incurred in tax years beginning **on or before** August 5, 1997, the ANOL may be carried back 3 years and carried forward 15 years.
  - For certain NOLs incurred in tax years ending in 2001 and 2002, the ANOL may be carried back five years, unless the taxpayer elects for federal tax purposes to disregard the five-year carryback. If you are claiming a five-year carryback, please attach a schedule of the computation.
- The carryback of the combined ANOL is limited to $10,000, as is the case with the regular tax combined NOLD.
- The federal election to forego carryback of the combined NOL applies to the related New York ANOL.
- ANOLs must be applied against 90% of MTI (determined without regard to the ANOLD) each year, even though some lower limitation on the ANOLD actually applies for that year. Limitations on the ANOLD are described below).
- In applying the carry out rules, ANOLs must be carried out to tax years beginning in 1990 through 1993 even though no ANOLD was allowed in those years.
- For tax years beginning in 1994, the ANOLD is limited to 45% of MTI computed without regard to the ANOLD, and thereafter to 90% of MTI computed without regard to the ANOLD.
- The group ANOLD for any particular year is limited to the federal regular tax NOLD for that year.

For more information, see TSB-M-94(5)C.

Line 60 — To determine the amount of combined alternative investment income on line 64, you must begin with the amount of investment income included in combined ENI (line 18) plus the apportioned combined NOLD from line 214.

Line 61 — Add those items of adjustment and tax preference derived from investment capital that are not included in ENI but are included in MTI (for example, appreciated property charitable deduction for contributed stock, treated as an item of tax preference).

Line 63 — Apportion any ANOLD claimed on line 58 between business income and investment income. Divide alternative investment income before deduction of any ANOL (line 62) by MTI before deduction of any ANOLD (line 57). Multiply the result by the ANOLD from line 58 and enter the amount on this line.

Line 64 — Combined alternative investment income is the sum of investment income and that portion of MTI that consists of income from investment capital and which was not included in ENI.

Line 71 — If your highest tax is based on the MTI base, you may be allowed a minimum tax credit in a future year. You should complete Form CT-38, Schedule A, this year to compute your adjusted minimum tax. This will be used to determine your minimum tax credit to be used against your tax on ENI in the future.

Computation of tax

Lines 72 through 100b

Line 73 — Enter the tax computed on your combined capital base from line 40. Do not enter more than $350,000.

A new small business concern may claim an exemption from the tax on the capital base for its first two years as a taxpayer. See Tax Law section 210.1-c.

Lines 74a through 74d – Fixed dollar minimum tax — Enter your gross payroll, total receipts, and average value of gross assets on lines 74a, 74b, and 74c. A corporate partner should enter its proportionate part of the partnership's payroll, receipts, and assets. *(Proportionate part* means the percentage that the partnership used to distribute to the partner, its distributive share of partnership ordinary income in an income year, or partnership ordinary loss in a loss year.)

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on lines 74a, 74b, and 74c. If you do not have gross assets, gross payroll, or total receipts, enter ***0*** on these lines.

Line 74a – Gross payroll — Include the total wages, salaries, and other personal services compensation of all employees, including general executive officers, wherever located. For a short period (a period of less than 12 months), annualize gross payroll by dividing it by the number of months in the short period and multiplying the result by 12.

Use the total amounts shown on federal Form 1120 or Form 1120-A, lines 12 and 13, including any employment credits deducted on line 13, plus any wages included in the cost of goods sold, Form 1120, Schedule A, line 3.

Line 74b – Total receipts — Include receipts from the sales of tangible personal property, services performed, rentals, royalties, receipts from the sales of rights for closed circuit and cable television transmissions, and all other business receipts received in the regular course of business. These items can be found on federal Form 1120 or 1120-A, *Income Section*, lines 1c, 6, 7, and 10. For a short period (a period of less than 12 months), annualize total receipts by dividing by the number of months in the short period and multiplying the result by 12.

Do not include any nonbusiness dividends, nonbusiness interest, or business or investment gains or losses.

Line 74c – Average value of gross assets — Average value of gross assets is the average fair market value of real property and marketable securities, plus all other property at the value shown on your books, in accordance with generally accepted accounting principles. Use the amount from Form CT-3-A, line 30, column A.

Line 74d – Parent's fixed dollar minimum tax —The fixed dollar minimum tax is determined by the parent corporation's gross payroll, total receipts, and average value of gross assets. **See Table VI of the *Tax rates schedule* on page 5 to determine the applicable fixed dollar minimum tax.** If you are filing a short period return, see *Short periods – fixed dollar minimum tax and maintenance fee* on page 5 to determine the applicable fixed dollar minimum tax.

Line 75 — Enter the amount from line 71, 72, 73, or 74d, whichever is largest. **Small business taxpayer exception:** if line 73 (tax on capital base) is larger than line 72 (tax on ENI base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 71, 72, or 74d.

Line 77 — Add lines 75 and 76. If the combined group is required to recapture a tax credit that was allowed in a previous reporting period, and the result is a negative credit on your claim form (line 101a), you must add this amount to the tax due line on this line. Please see the individual credits for additional information on recapture requirements.

Line 78 — Complete line 101a and enter the total amount of the tax credit that you are claiming. If you are claiming more than one tax credit, see the instructions to Form CT-600 for the order of application under Article 9-A.

Generally, tax credits cannot reduce your tax below the higher of the fixed dollar minimum tax or the tax on the MTI base. However, the credit to employers who employ individuals with disabilities (section 210.23), the EZ employment incentive credit (section 210.12-c), the QEZE tax reduction credit of a taxpayer with a zone allocation factor not equal to 100% (section 210.28), and the Empire State Film Production Credit (section 210.36) are only limited by the amount of the fixed dollar minimum tax. Also, the credit for servicing mortgages (section 210.21-a) and the QEZE tax reduction credit for a taxpayer with a 100% zone allocation factor (section 210.28) may reduce the tax to zero.

Enter any credits being claimed on line 78 which are not specifically listed in the above paragraph in the *Other credits* box on page 4b.

Indicate which credits you are claiming on line 101a and attach copies of all forms and schedules used.

Line 79 — If your tax credits on line 78 are more than the tax shown on line 77, enter ***0***.

Line 81 — The combined franchise tax is the larger of line 79 or 80. However, if the total on line 79 is less than the total on line 80 because of the application of the credit for servicing mortgages (available only to mortgage bankers), or the QEZE tax reduction credit of a taxpayer with a 100% zone allocation factor, enter the amount from line 79.

If the total on line 79 is less than the amount on line 80 because of the application of the credit for employers who employ persons with disabilities, the QEZE tax reduction credit of a taxpayer with a zone allocation factor not equal to 100%, the EZ employment incentive credit, or the Empire State Film Production Credit, enter the larger of line 74d or line 79.

Lines 83a and 83b — On line 83a, include the total fixed dollar minimum taxes of subsidiaries that computed a $5,000 or $10,000 fixed dollar minimum tax on Form CT-3-A/C. On line 83b, include the total fixed dollar minimum taxes of subsidiaries that computed less than $1,000 fixed dollar minimum tax on Form CT-3-A/C. The total of lines 83a and 83b should equal the total amounts listed on the individual CT-3-A/C (if the totals are not equal, attach a rider showing the computation).

If the credit for servicing mortgages reduced the combined tax on line 81 to zero, then the mortgage banking subsidiary that earned the credit may reduce its own fixed dollar minimum tax computed on Form CT-3-A/C by the amount of the remaining credit.

If any of the subsidiaries included on line 83b are a foreign authorized corporation and their fixed dollar minimum tax is less than the required maintenance fee, you must increase your payment so that the tax of the foreign authorized corporation equals $300 and include this amount on line A on the front of Form CT-3-A. (Do not include this excess in your total combined tax due on line 84.)

Line 85b — If the combined group did not file Form CT-5.3 and the amount of combined tax from lines 81 and 83a is more than $1,000, a mandatory first installment is required for the period following that covered by the return. If the combined tax from lines 81 and 83a is more than $1,000, but not more than $100,000, enter 25% of the tax shown on lines 81 and 83a. If the combined tax from lines 81 and 83a is more than $100,000, enter 30% of the tax shown on lines 81 and 83a.

Line 89 — If you underpaid your estimated tax, use Form CT-222, *Underpayment of Estimated Tax by a Corporation,* to compute the penalty. Attach Form CT-222. Mark an ***X*** in the box and enter the penalty on this line.

Lines 90 and 91 — If you are not filing this return and paying the tax due on time, you must pay interest and additional charges. (See instructions on page 4.)

Lines 93a, 93b and 93c — If you want to contribute to *Return a Gift to Wildlife*, the *Breast Cancer Research and Education Fund*, or the *Prostate Cancer Research, Detection, and Education Fund*, enter the amount in the appropriate lines. Include the total of these gifts on line 94 or 95. The amount you give must be in whole dollars. Your gift will increase your payment or reduce your overpayment. You cannot change the amount of your gift after you file your return. For more information, see page 27.

Line 95 – Unrequested refunds to be credited forward — If the group overpays its tax, it will not automatically receive a refund. Instead, we will credit your overpayment to the following tax year unless you request a refund. We will notify you that the overpayment has been credited and explain how to request a refund of the credited amount. If you choose to request a refund of such credited amount, you must claim a refund of such overpayment prior to the original due date of the following year's return.

Lines 96 through 99 — You may request an overpayment be credited to your next state franchise tax period or to your MTA surcharge for this period or you may have it refunded. Indicate on these lines the amount of overpayment you wish credited or refunded.

Lines 100a and 100b — If you claim a refund of unused tax credits, enter the total amount on line 100a. If you claim a refund of unused tax credits to be credited as an overpayment to next year's return, enter the total amount on line 100b. Attach the appropriate credit forms. **Do not include these amounts** in the total credits claimed on lines 78, 101a, or 101b.

Collection of debts from your refund — We will keep all or part of your refund if you owe a past-due, legally enforceable debt to the IRS or to a New York State agency, or if you owe a city of New York tax warrant judgment debt. A *New York State agency* includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district. We will refund any amount over your debt.

If you have any questions about whether you owe a past-due, legally enforceable debt to the IRS or to a state agency, or whether you owe a city of New York tax warrant judgment debt, contact the IRS, the state agency, or the New York City Department of Finance.

For New York State tax liabilities only, call 1 800 835-3554 (from areas outside the U.S. and outside Canada, call (518) 485–6800), or write to: NYS Tax Department, Tax Compliance Division, W A Harriman Campus, Albany, NY 12227.

For New York City corporation tax liabilities only, call (212) 232-3550.

Summary of credits claimed on line 78 against current year's franchise tax

Line 101a — Enter the amount of any tax credits that you claimed on line 78 against the current year's franchise tax. Do not include any amount of tax credit requested as a refund on line 100a or requested as a tax credit to be credited as an overpayment to next year's return on line 100b.

Line 101b — Enter the amount of credit that is **refund eligible** claimed on line 78 against the current year's franchise tax. **Do not include any amount** actually requested as a refund on line 100a or requested as an overpayment credited to next year's tax return on line 100b.

Refund eligible

— Form CT-43, Special additional mortgage recording tax credit
— Form CT-47, Farmers' school tax credit
— Form CT-248, Empire State Film Production Credit
— Form CT-604, QEZE credit for real property taxes
— Form DTF-623, Industrial or manufacturing business credit
— Form DTF-632, Transportation improvement contribution credit

Refund eligible where special provisions are met

— Form CT-40, Alternative fuels tax credit

Refund eligible for new business only

— Form CT-44, Investment tax credit for financial services industry
— Form CT-46, Investment tax credit, retail enterprise credit, and historic barn credit
— Form CT-601, EZ wage tax credit
— Form CT-601.1, ZEA wage tax credit
— Form CT-603, EZ investment tax credit
— Form CT-605, EZ investment tax credit for financial services industry
— Form DTF-621, QETC employment credit

Do not include any amount of employment incentive credit claimed on Form CT-44, Form CT-46, Form CT-603, or Form CT-605. The EZ wage tax credit is partially refundable to a new business.

Please refer to the individual credit forms and Form CT-600 for refund eligibility.

Composition of prepayments included on line 87

Lines 102 through 108 — Include on line 107 only actual prepayments made by subsidiaries that were included on Form(s) CT-3-A/C.

If you need more space, write ***see attached*** in this section, and attach a separate sheet showing all relevant prepayment information. Transfer the total shown on the attached sheet to line 87.

Line 109 — Interest deducted — Enter the total amount of interest deducted on your federal return that you used in computing your federal taxable income on line 1.

Lines 114 and 115 – Interest paid to shareholders — Corporations that made interest payments, deducted in computing ENI, to a shareholder or shareholders owning, directly or indirectly, individually or in the aggregate, more than 50% of its issued capital stock, must provide the information requested in this section (section 211.2-a). A penalty of $500 is imposed for failure to provide this information (section 1085(n)).

Line 117 – Small business taxpayer — If you used the small business tax rate on line 25, you must complete this line to show that your combined group qualifies for the lower tax rate. See instructions for line 25. If you qualify, provide the information requested in this section. Use your balance sheet amounts for stock and other paid-in capital. Use the worksheet below to determine the amount to enter on line 117.

	Number of shares	Amount
Par value stock		
No-par stock		
Contributions to capital and paid-in surplus		
Total capital contributions – enter on line 117		

Computation of combined business allocation percentage and combined alternative business allocation percentage for combined MTI base

Allocation on combined returns is made on the basis of combined accounts from which intercorporate items (including intercorporate receipts) are eliminated. If you have both business and investment income or capital, you must complete separate allocations. For information on the allocation of investment income, investment capital, or alternative investment income, see the instructions for lines 196 and 197 and line 199 on page 16 of these instructions.

If you claim a business allocation percentage of 100%, you do not need to complete lines 118a through 195. If you claim a business allocation percentage less than 100%, use the appropriate lines (lines 118a through 195) to compute your allocation percentage for your business income, alternative business income and business capital. Foreign airlines should consult TSB-M-94(2)C. See below for special information on foreign airlines.

Lines 118a through 128 are used by aviation corporations, except certain foreign airlines (see instructions on the next page), to compute the combined business allocation percentage. Three factors are averaged: aircraft arrivals and departures, revenue tons handled, and originating revenue. Include only 60% of the New York State amounts in the numerator of each of the three allocation factors. Use this

percentage to allocate both business income and alternative business income, when determining both the ENI base and the MTI base, and business capital when computing the capital base.

On lines 129 through 160, the combined business allocation percentage for general business corporations is computed by averaging the property, payroll, and business receipts factors (the business receipts factor is included twice). This percentage is used to allocate combined business income when computing the combined ENI base and is used to allocate combined business capital when computing the combined capital base.

Lines 161 through 163 are used by trucking and railroad corporations to compute the combined business allocation percentage. This percentage is computed solely on the basis of revenue mileage.

On lines 164 through 195, the combined alternative business allocation percentage is computed by averaging four factors: property, payroll, and business receipts (the business receipts factor is included twice). The factors are determined using the same rules that apply to lines 129 through 160, except that any factor used to determine the combined alternative business allocation percentage must be adjusted to reflect modifications made in the computation of combined MTI (lines 42 through 59), which may change an amount used in a particular factor. For example, a depreciation modification on line 43 would change the amounts used in computing the property factor. The combined alternative business allocation percentage is used to determine the combined MTI base only.

The *property factor* is the percentage of the average value of your real and tangible personal property, whether owned or rented, that is located within New York State. The *business receipts factor* is the percentage of your business receipts attributable to New York State. The *payroll factor* is the percentage of your payroll that is attributable to New York State.

You must value real and tangible personal property owned by the corporation at the adjusted basis used for federal income tax. However, you may make a one-time, revocable election to value real and tangible personal property at fair market value. You must make this election on or before the due date (or extended due date) for filing the franchise tax return for your first tax year. This election applies to corporations included in a combined return only if all of the corporations included in the return make the election.

Foreign airlines

Foreign airlines that have a foreign air carrier permit, pursuant to section 402 of the Federal Aviation Act of 1958, are entitled to exclude from ENI all income from international operations effectively connected to the United States, foreign passive income, and income earned from overseas operations, provided the foreign country in which the airline is based has a similar exemption from tax with respect to United States airlines.

Foreign airlines may also exclude business and investment assets used in connection with the exempt income from the tax computed on capital.

The business allocation formula used by these foreign airlines is the regular Article 9-A business allocation formula based on receipts, payroll and property, as opposed to the airline formula based on arrivals and departures, with modifications.

However, if the country in which the foreign airline is based does not provide a similar exemption from tax with respect to United States airlines, the foreign airline is not entitled to the exclusions from income and capital described above and must use the airline allocation formula.

For further information see TSB-M-94(2)C.

Computation of combined business allocation percentage for aviation corporations

Lines 118a and 119 — Enter the number of aircraft arrivals and departures of the aviation corporation. *Aircraft arrivals and departures* means the number of landings and takeoffs of the aircraft of an aviation corporation plus the number of pickups and deliveries by the aircraft. Do not include arrivals and departures for maintenance, repair, refueling (where no debarkation or embarkation of traffic occurs), training, emergencies, and nonrevenue flights.

Lines 121a and 122 — Enter the weight, in tons, of revenue passengers (at 200 pounds per passenger) and revenue cargo first received as originating or connecting traffic or finally discharged at an airport.

Lines 124a and 125 — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

Computation of combined business allocation percentage

Lines 129 through 160 — Do not include intercorporate rents or intercorporate business receipts in the receipts factor. Capitalized intercorporate rent expense must be eliminated from the property factor if the lessor and lessee are both part of the combined group.

Lines 129 and 130 — Enter the average value of real property you owned. Do not include real property and related equipment (except inventoriable goods) that are under construction and are not occupied or used during construction. Include property or equipment under construction that is partially used in the regular course of business, only to the extent used.

Lines 131 and 132 — Enter the average value of rented real property. The value of rented real property is generally eight times the gross rent payable during the year covered by this return. Gross rent includes any amount payable as rent or in lieu of rent (such as taxes and repairs) and amortization of leasehold improvements that revert to the lessor at the end of the lease.

Lines 135 and 136 — Enter the average value of tangible personal property you owned (such as machinery, tools, and implements). Do not include cash, shares of stock, bonds, notes, credits, evidences of an interest in property, or evidences of credit.

Lines 137 and 138 — Enter the average value of tangible personal property you rented. The value of rented tangible personal property is generally eight times the gross rent payable during the year covered by this return.

Lines 142 and 143 — Enter receipts from the sale of tangible personal property. (See section 210.3(a)(2)(A).)

Receipts from sale of tangible personal property are allocable to New York State if:

— Shipments are made to points in New York State; **or**

— The receipts are earned within New York State.

Receipts from the sale of tangible personal property are allocated to New York State if:

— The property is shipped via common carrier, contract carrier, or via the taxpayer's vehicle or other means of transportation, to a point in New York State. If the property is shipped to a point in New York State, it is presumed that the destination of the property is a point in New York State, unless the taxpayer has evidence that shows the property was shipped to a point outside New York State. It does not matter who arranges for the shipment of the property.

— The possession of the property is transferred to a purchaser or purchaser's designee at a point in New York State. If possession of the property is transferred in New York State, it is presumed that the destination of the property is a point in New York State, unless the taxpayer has evidence that shows that the destination of the property is a point outside New York State.

— The possession of the property is transferred to a purchaser or purchaser's designee at a point outside New York State, and the destination of the property is a point in New York State. If possession of the property is transferred outside New York State, it is presumed that the destination of the property is a point outside New York State, unless the taxpayer has evidence that shows the destination of the property is a point in New York State.

Examples of types of evidence that will be sufficient to demonstrate the destination of property include:

— a bill of lading or other shipping document designating the destination location, regardless of the FOB point, **or**

— a purchase invoice designating the destination location

Lines 144 and 145 — Enter receipts for services performed, based on where they are performed. Receipts from intercorporate sales and services performed should be eliminated from the receipts factor. Special rules apply to certain receipts.

Receipts from broadcasting and publishing — Corporations engaged in broadcasting or the publication of newspapers and periodicals must allocate to New York State receipts from the sale of advertising, to the extent that the broadcasts or publications are delivered to the ultimate purchasers, subscribers, listeners or viewers in New York State.

Receipts for services to regulated investment companies — The receipts received from an investment company for the sale of management, administration, or distribution services must be allocated based on the domicile of the shareholders of the investment company (section 210.3(a)(6)(A)(ii)). For more information, see TSB-M-88(9)C.

Receipts by registered securities and commodities dealers — The following rules apply for determining whether a receipt is deemed to arise from services performed in New York State by a registered securities or commodities broker or dealer for purposes of computing the receipts factor of the business allocation percentage (section 210.3(a)(9)).

A *registered securities* or *commodities broker* or *dealer* is a broker or dealer who is registered by the Securities and Exchange Commission or the Commodities Futures Trading Commission and includes over-the-counter (OTC) derivatives dealers as defined under regulations of the SEC (17 CFR 240.3b-12). The terms *securities* and *commodities* have the same meanings as the meanings in IRC sections 475 (c)(2) and 475(e)(2).

- **Brokerage commissions —** Brokerage commissions earned from the execution of securities or commodities purchase or sales orders for the accounts of customers are deemed to arise from a service performed in New York State if the customer who is responsible for paying the commissions is located in New York State.
- **Margin interest —** Margin interest earned on brokerage accounts is deemed to arise from a service performed in New York State if the customer who is responsible for paying the margin interest is located in New York State.
- **Account maintenance fees —** Account maintenance fees are deemed to arise from a service performed in New York State if the customer who is responsible for paying the account maintenance fees is located in New York State.
- **Income from principal transactions —** Gross income from principal transactions (that is, transactions where the registered broker or dealer is acting as principal for its own account, rather than as agent for the customer) are deemed to arise from a service performed in New York State if the production credits for these transactions are awarded to a New York State branch, office, or employee of the taxpayer. Registered broker dealers may elect to source the gross income from principal transactions based on the location of the customer to the principal transaction. If the election is made, gross income from principal transactions is deemed to arise from a service performed in New York State to the extent that the gross proceeds from the transactions are generated from sales of securities or commodities to customers within the state based upon the mailing addresses of those customers in the records of the taxpayer. For additional information, see TSB-M-02(5)C, *Summary of Corporation Tax Changes Enacted in 2002.*
- **Fees from advisory services for the underwriting of securities** Fees earned from advisory service for a customer in connection with the underwriting of securities (when the customer is the entity contemplating the issuance of the securities or is issuing securities) or for the management of an underwriting of securities are deemed to arise from a service performed in New York State if the customer responsible for paying the fee is located in New York State.
- **Receipts from the primary spread for the underwriting of securities —** Receipts from the primary spread or selling concession from underwritten securities are deemed to arise from a service performed in New York State if production credits are awarded to a branch, office, or employee of the taxpayer in New York State as a result of the sale of underwritten securities.
- **Interest earned on loans to affiliates —** Interest earned on loans and advances made by a taxpayer to an affiliate with whom they are not required or permitted to file a combined return are deemed to arise from services in New York State if the principal place of business of the affiliate who is responsible for the payment of interest is located in New York State.
- **Fees for management or advisory services —** Fees earned from management or advisory services, including fees from advisory services for activities relating to mergers or acquisition activities, are deemed to arise from a service in New York State if the customer responsible for paying these fees is located in New York State.

  A customer is located in New York State if the mailing address of the customer that appears in the broker's or dealer's records is in New York State.

Receipts for services by air freight forwarders — Receipts for services performed by air freight forwarders acting as principal and indirect air carriers are allocated to New York State as follows.

Receipts from:	Allocate receipts
— Pickup and delivery both made in NYS	100% to NYS
— Pickup only made in NYS	50% to NYS
— Delivery only made in NYS	50% to NYS

Receipts from the service of transporting or transmitting gas through pipes are allocated to New York State using the following formula:

$$\frac{\text{miles of transportation units within NYS}}{\text{miles of transportation units within and outside NYS}} \times \text{Receipts from the service of transporting or transmitting gas through pipes} = \text{Receipts from the service of transporting or transmitting gas through pipes allocated to NYS}$$

A *transportation unit* is the transportation of one cubic foot of gas over a distance of one mile.

Receipts by art merchants — The Arts and Cultural Affairs Law provides that receipts from the sale of works of art, by an art merchant, are receipts from the sale of tangible personal property (rather than receipts for services performed).

The law applies to works of art that are:

— created by an artist or craftsman; **and**

— consigned by such artist or craftsman to an art merchant; **and**

— sold by the art merchant on or after August 9, 1995.

The law does not apply to consigned works of art sold at a public auction.

Lines 146 and 147 — Enter receipts from all property that was rented to others. Receipts from rentals of real and tangible personal property situated in New York State are allocated to New York State. Rental receipts include all amounts received for the use of, or occupation of, property, whether or not such property is owned by the taxpayer. Gross receipts from real and tangible personal property that is subleased must be included in the receipts factor. Intercorporate rents must be eliminated.

Lines 148 and 149 — Enter receipts of royalties. Receipts of royalties from the use in New York State of patents and copyrights are allocated to New York State. Royalties include all amounts received by the taxpayer for the use of patents or copyrights, whether or not such patents or copyrights were issued to or are owned by the taxpayer. A patent or copyright is used in New York State to the extent that the activities thereunder are carried on in New York State.

Lines 150 and 151 — Enter all other business receipts, allocated where earned.

Line 155 — An additional receipts factor must be included in the computation of the business allocation percentage. Enter the same percentage computed on line 154 (section 210.3(a)(4)).

Lines 156 and 157 — Enter the total amount of all wages and other compensation of employees other than general executive officers.

General executive officers include the chairman, president, vice-president, secretary, assistant secretary, treasurer, assistant treasurer, comptroller, and any other officer charged with the general

executive affairs of the corporation. An executive officer whose duties are restricted to territory either in or outside New York State is not a general executive officer. Employees within New York include all employees regularly connected with or working out of an office or other place of business you maintained within New York State, no matter where the services of the employees were performed. Intercorporate wages and salaries should be eliminated from the payroll factor.

Line 160 — If a factor is missing, add the remaining factors and divide by the total number of factors present. If all factors but one factor are missing, the remaining factor is the allocation percentage. A factor is missing only if both the numerator and denominator are zero.

Example

Computation of allocation percentage for business income and capital:

	Corp. A	*Corp. B*	*Corp. C*
Property factor	*80%*	*60%*	*60%*
Receipts factor	*20%*	*30%*	*30%*
Additional receipts factor	*20%*	*30%*	*30%*
Payroll factor	*60%*	*0%*	*None**
Total	*180%*	*120%*	*120%*
Divided by	*4*	*4*	*3*
Allocation percentage for business income and capital	*45%*	*30%*	*40%*

** In the example above, Corporation C has no payroll factor since it has no employees either in or outside New York State. Corporation B has no employees in New York State but has employees outside New York State.*

Computation of combined business allocation percentage for trucking and railroad corporations

Trucking and railroad corporations must allocate on a mileage basis using this schedule. The mileage allocation is a percentage based on the number of revenue miles traveled within New York State compared to the total revenue miles traveled everywhere (nonrevenue miles, such as deadheading, should be excluded).

Computation of combined alternative business allocation percentage for combined MTI base

Lines 164 through 195

If you did not make any entries on lines 43 through 54, your combined alternative business allocation percentage is your combined business allocation percentage. It is not necessary to complete lines 164 through 195. You may use the same percentage determined on line 160.

If you made entries on lines 43 through 54 that altered an item used to compute the property or receipts factors, you must make appropriate changes when determining the alternative business allocation percentage for allocating alternative business income on line 66 of this form and line 6 of Form CT-38.

Line 190 — You must include an additional receipts factor in the computation of the alternative business allocation percentage. Enter the same percentage computed on line 189 (Tax Law section 210.3-a(a)).

Line 195 — If either the property, receipts, or payroll factor is missing, add the remaining factors and divide by the total number of factors present. If all factors but one are missing, the remaining factor is the allocation percentage. A factor is missing only if both the numerator and denominator are zero.

Computation of the allocation percentage for the MTI base is similar to the computation of the allocation percentage for business income and capital. See the example for line 160.

Computation of combined investment capital and investment allocation percentage

Lines 196 and 197 — The amounts on Form CT-3-A, lines 196A, B, and D, and 197A, B, and D are obtained as shown below. The amounts on Form CT-3-A/B, line 196A, B, and D, and lines 197A, B, and D are obtained in the same manner as indicated in Column A below.

Line	Column A (Parent)	Column B (Total subsidiaries)
196A	from Form CT-3-A/ATT, line 3, column C	a) if only one subsidiary, from CT-3-A/ATT, line 3, column C, or b) if more than one subsidiary, from CT-3-A/B, line 196A, *Total* column
196B	from Form CT-3-A/ATT, line 3, column D	a) if only one subsidiary, from CT-3-A/ATT, line 3, column D, or b) if more than one subsidiary, from CT-3-A/B, line 196B, *Total* column
196D	from Form CT-3-A/ATT, line 3, column G	a) if only one subsidiary, from CT-3-A/ATT, line 3, column G, or b) if more than one subsidiary, from CT-3-A/B, line 196D, *Total* column
197A	from Form CT-3-A/ATT, line 4, column C	a) if only one subsidiary, from CT-3-A/ATT, line 4, column C, or b) if more than one subsidiary, from CT-3-A/B, line 197A, *Total* column
197B	from Form CT-3-A/ATT, line 4, column D	a) if only one subsidiary, from CT-3-A/ATT, line 4, column D, or b) if more than one subsidiary from CT-3-A/B, line 197B, *Total* column
197D	from Form CT-3-A/ATT, line 4, column G	a) if only one subsidiary, from CT-3-A/ATT, line 4, column G, or b) if more than one subsidiary, from CT-3-A/B, line 197D, *Total* column

Line 199 — The investment allocation percentage is computed without the addition of cash on line 200. Use the combined investment allocation percentage on this line to compute allocated combined investment income, allocated combined investment capital, and allocated combined alternative income on lines 20, 37, and 67, respectively.

Line 200 – Cash election — If you elect to treat cash as investment capital then the amounts entered on Form CT-3-A, line 200 are obtained as shown below. The amounts on Form CT-3-A/B, line 200, are obtained in the same manner as indicated in Column A below.

Column A (Parent)	Column B (Total subsidiaries)
from CT-3-A/ATT, line 6, column E	a) if only one subsidiary, from CT-3-A/ATT, line 6, column E, or b) if more than one subsidiary, from CT-3-A/B, line 200, *Total* column

At the election of the taxpayer, cash on hand and cash on deposit may be treated as either investment capital or business capital. However, no election to treat cash as investment capital may be made when the taxpayer has no other investment capital.

If one member of the combined group has investment capital, then all the members of the combined group may elect to treat cash as investment capital. All corporations in the combined group must make the same election.

Cash includes shares in a money market mutual fund. A *money market mutual fund* is a no-load, open-end investment company registered under the Federal Investment Company Act of 1940 that attempts to maintain a constant net asset value per share (that is, a money market fund). Cash also includes debt instruments deemed cash; see also *Instruments deemed cash* in the instructions on page 18.

Cash cannot be split between business capital and investment capital. It must be treated as all business capital or all investment capital.

Lines 202 through 215 – Computation of combined investment income for allocation —

Complete this section if you are allocating part of the combined ENI by using the investment allocation percentage from line 199. Investment income is income from investment capital to the extent it is included in ENI, less any deductions allowable in computing ENI that are attributable to investment capital or investment income, and less a portion of any NOLD allowable in computing ENI.

Income from investment capital includes dividends (other than from a subsidiary or a DISC), interest, and capital gains and losses from sales or exchanges of investment capital that are included in the computation of ENI. Professional service corporations (Article 15 or 15-A of the Business Corporation Law) must use an investment allocation percentage of 100% (section 210.3(b)(3)).

Line 202 — Enter interest income received from investment capital listed on Form CT-3-A/ATT, Schedule A, Section I, to the extent included in ENI.

Line 203 — Enter interest income received from bank accounts (cash) if included on line 200. Include interest income received from a savings account, checking account, time deposit account (**other than** certificate of deposit) or similar accounts, which are usually evidenced by a passbook. Enter ***0*** on this line if the investment allocation percentage on line 199 is zero. In that case, this interest will be allocated by the business allocation percentage and included as part of business income.

Line 204 — Enter interest income from debt instruments deemed cash (**including** certificates of deposit), if included on line 200.

Line 205 — Enter dividend income received from investment capital listed on Form CT-3-A/ATT, Schedule A, Section II, or dividend income received from money market mutual funds included as cash on line 200. To the extent included in ENI, include the following:

— 50% of dividends received from money market mutual funds included as cash on line 200;

— 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 246(c);

— 50% of subpart F income constituting dividends received from a controlled foreign corporation in which you own 50% or less of the voting stock (see federal Form 1120, Schedule C, line 14). See TSB-A-87(23.1)C for additional information;

— 100% of dividends received from nonsubsidiary stock that did not meet the holding requirements of IRC section 246(c); and

— 100% of dividends received from the stock of a target corporation. See Tax Law sections 208.4, 208.9(b)(12), and 208.9(b)(14).

Line 206 — Enter any net capital gains or losses from the sale and exchange of securities constituting investment capital that were used in computing FTI.

Line 207 — Other items of investment income include but are not limited to the following:

— premium income from an unexercised covered call option, if the item that covers the call is an asset constituting investment capital;

— interest income from a target corporation or capital gain or loss of a target corporation. See Tax Law sections 208.4 and 208.9(b)(13).

Lines 209 and 210 — Complete lines 209 and 210 if you have combined investment capital includable on Form CT-3-A, line 201, column E (otherwise, enter ***0*** on lines 209 and 210). The term *combined investment capital* as used in these instructions for lines 209 through 212 means stocks, bonds, and other securities other than those issued by a corporation included in this return that constitute investment capital.

Line 209 — Enter the amount of **interest** deductions allowable in the computation of combined ENI (that is, includable in the amount on *Line 211 Worksheet,* line E) that are **directly** attributable to combined investment capital or to income, losses, or gains from combined investment capital.

Line 210 — Enter the amount of **noninterest** deductions allowed in the computation of ENI (that is, includable in the amount on *Line 212 Worksheet,* line E) that are **directly** attributable to combined investment capital or to income, losses, or gains from combined investment capital.

The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable to combined investment capital or income include, but are not limited to, the following:

— interest on debt incurred to buy combined investment capital

— safe deposit box rentals

— financial news subscriptions

— salaries of employees engaged in the management and conservation of stocks, bonds, and other securities included in combined investment capital

— investment counsel fees

— custodian fees

— the cost of insurance and fidelity bonds covering combined investment capital

— expenses for legal advice relating to the acquisition of combined investment capital

Do not include on lines 209 or 210 interest deductions or noninterest deductions that are **directly** attributable to the following:

— combined subsidiary capital (or to income, losses, or gains from combined subsidiary capital); see Form CT-3-A, lines 4a and 4b; or

— combined business capital (or to income, losses, or gains from combined business capital). **Note:** For tax years beginning in 1995 or after, certain expenses may, at the taxpayer's election, be **deemed** to be directly attributable to business capital (or income, losses, or gains from business capital). These expenses include, among others: depletion, advertising, research and development expenses, compensation packages of chief executive officer, chief financial officer and chief operating officer, charitable contributions and internal auditing expenses. For a complete listing of deductions so **deemed** attributable to business capital, see section III(A)(1) of TSB-M-95(2)C.

If at least 95% of the noninterest deductions of an operating division, a corporation, or a combined group are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division, corporation, or combined group may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Lines 211 and 212 — Complete lines 211 and 212 if you have combined investment capital includable on Form CT-3-A, line 201, column E. Otherwise, enter ***0*** on lines 211 and 212.

Line 211 — Enter the amount of **interest** deductions that are **indirectly** attributable to combined investment capital, or to income, gains, or losses from combined investment capital, from *Line 211 Worksheet,* line N, on page 23.

If you completed the *Line 5a Worksheet* on page 23 of these instructions, skip lines A through I on the *Line 211 Worksheet* and enter on line J the amount from the *Line 5a Worksheet,* line J.

Line 212 — Enter the amount of **noninterest** deductions that are **indirectly** attributable to combined investment capital, or to income, gains, or losses from investment capital, from *Line 212 Worksheet,* line R, on page 25.

If you completed *Line 5b Worksheet* on page 24 of these instructions, skip lines A through I on the *Line 212 Worksheet* and enter on line J the amount from *Line 5b Worksheet,* line J.

Line 214 — Apportion any New York NOLD claimed on Form CT-3-A, line 13, between business income and investment income. Divide investment income before deduction of any NOL by ENI before deduction of any NOL. Multiply the result by the NOLD.

Lines 216 through 219 – Computation of income from combined subsidiary capital — A subsidiary is a corporation of which the taxpayer owns more than 50% of the total number of shares of the corporation's voting stock, issued and outstanding. A DISC is not a subsidiary.

Enter interest, dividends, and capital gains attributable to subsidiary capital. In addition, include on line 218 items such as collapsible corporation gain and gain from the sale of subsidiary capital that is not a capital asset for federal tax.

Lines 220, 221, 222, and 223 – Computation and allocation of combined subsidiary capital base and tax — The amounts on Form CT-3-A, lines 220 through 223, are obtained as shown below. The amounts on Form CT-3-A/B, lines 220 through 223, are obtained in the same manner as indicated in Column A below.

Line	Column A (Parent)	Column B (Total subsidiaries)
220	from CT-3-A/ATT, line 8, column C	a) if only one subsidiary, from CT-3-A/ATT, line 8, column C, or b) if more than one subsidiary, from CT-3-A/B, line 220, *Total* column
221	from CT-3-A/ATT, line 8, column D	a) if only one subsidiary, from CT-3-A/ATT, line 8, column D, or b) if more than one subsidiary, from CT-3-A/B, line 221, Total column
222	from CT-3-A/ATT, line 9, column E	a) if only one subsidiary, from CT-3-A/ATT, line 9, column E, or b) if more than one subsidiary, from CT-3-A/B, line 222, *Total* column
223	from CT-3-A/ATT, line 12, column G	a) if only one subsidiary, from CT-3-A/ATT, line 12, column G, or b) if more than one subsidiary, from CT-3-A/B, line 223, *Total* column

Line instructions for Form CT-3-A/ATT

This form must be filed by any member of the combined group, including the parent, that has investment capital or subsidiary capital. When computing combined investment capital or combined subsidiary capital, all investments in the stock of corporations included in the combined return and any indebtedness from corporations included in the combined group must be eliminated on Form CT-3-A, column D.

Schedule A — Investment capital information

The term *investment capital* means the value of the taxpayer's investments in stocks, bonds, and other corporate or governmental securities, reduced by directly and indirectly attributable liabilities. Include in investment capital only those stocks, bonds, or other securities that are:

1. Stocks and similar corporate equity instruments, such as business trust certificates, and units in a publicly traded partnership taxable as a corporation pursuant to Tax Law section 208.1.
2. Debt instruments (such as bonds) issued by the United States, the District of Columbia, and any state, territory, or possession of the United States, any foreign country, or any political subdivision or governmental instrumentality of the foregoings.
3. Qualifying corporate debt instruments (see Section I).
4. Options on any item described in 1, 2, or 3 above and not excluded from investment capital nor deemed to be cash (see *Instruments deemed cash* on this page), or on a stock or bond index or on a futures contract on such an index, unless the options are purchased primarily to diminish the taxpayer's risk of loss from holding one or more positions in assets that constitute business or subsidiary capital.
5. Stock rights and stock warrants not in the possession of the issuer.
6. Investments in stocks, bonds, and other securities of an LLC that is not more than 50% owned by the taxpayer and has elected to be treated as a corporation for federal tax purposes.

The term *instrument* includes stock and debt that is held in book entry form.

Investment capital does **not** include:

1. Stock issued by the taxpayer.
2. Stocks, bonds, or other securities constituting subsidiary capital. Stock of a subsidiary is not subsidiary capital in the case of a target corporation in certain corporate acquisitions.

   Debt instruments issued by a subsidiary are also not subsidiary capital if the subsidiary claimed and deducted interest on the instruments for purposes of Tax Law Articles 9-A, 32, or 33. See Tax Law section 208.4.
3. Securities of an individual, partnership, trust, or other nongovernmental entity that is not a corporation pursuant to Tax Law section 208.1 (such as FNMA and GNMA pass-through certificates).
4. Stocks, bonds, and other securities of a DISC or any indebtedness from a DISC.
5. Regular and residual interests in as real estate mortgage investment conduit (REMIC) as defined in IRC section 860D.
6. Futures and forward contracts.
7. Stocks, bonds, and other securities held by the taxpayer for sale to customers in the regular course of business.

If you own a stock, bond, or other security that is subject to a repurchase agreement, include this instrument as investment capital. Do not include if it is held as collateral. See NYCRR regulation section 3-3.2(f) for a full discussion of securities held subject to a repurchase agreement.

Do not include stocks, bonds, and other securities issued by, and any other indebtedness from, a QSSS in the computation of investment capital if the QSSS is included in the parent's return.

Schedule A categorizes investment capital into two sections:

Section I – *Corporate and governmental debt instruments*

Section II – *Corporate stock, stock rights, stock warrants, and stock options*

Section I — Columns A through G

Column A — List investments in governmental and qualifying corporate debt instruments (including certificates of deposit), debt instruments issued by the U.S., any state, territory, or possession of the U.S., the District of Columbia, or any foreign country or any political subdivision or government instrumentality of any of the foregoing. Do not include instruments deemed to be cash. See *Instruments deemed cash* below.

The term *qualifying corporate debt instrument* means all debt instruments issued by a corporation **other than** the following:

— Instruments issued by the taxpayer or a DISC.

— Instruments that constitute subsidiary capital in the hands of the taxpayer.

— Instruments acquired by the taxpayer for services rendered or for the sale, rental, or other transfer of property if the obligor is the recipient of the services or property. However, when a taxpayer sells or otherwise transfers property that is investment capital in the hands of the taxpayer and receives in return a corporate obligation issued by the recipient of the property, the corporate obligation, if it is not otherwise excluded from investment capital, would constitute investment capital in the hands of the taxpayer.

— Instruments acquired for funds if (1) the obligor is the recipient of the funds, (2) the taxpayer is principally engaged in the business of lending funds, and (3) the obligation is acquired in the regular course of the taxpayer's business of lending funds. A taxpayer is principally engaged in the business of lending funds if, during the tax year, more than 50% of its gross receipts, on a separate basis, consist of interest income from loans or net gain from the sale or redemption of notes or other evidences of indebtedness arising from loans made by the taxpayer. Receipts do not include return of principal or nonrecurring, extraordinary items.

— Accepted drafts (such as banker's acceptances and trade acceptances) if the taxpayer is the drawer of the draft.

— Instruments issued by a corporation that is a member of an affiliated group that includes the taxpayer. The term *affiliated group* means a corporation or corporations and the common parent thereof. The term *common parent* means an individual, corporation, partnership, trust, or estate that owns or controls, either directly or indirectly, at least 80% of the voting stock of the corporation or corporations. An affiliated group also includes all other corporations, at least 80% of the voting stock of which is owned or controlled, either directly or indirectly, by one or more of the corporations included in the affiliated group or by the common parent and one or more of the corporations included in the affiliated group.

— Accounts receivable, including those held by a factor.

Instruments deemed cash — A debt instrument described on this page or included in investment capital must be treated as cash if payable:

— on demand;

— by its terms within six months and one day from the date the debt was incurred; or

— by its terms more than six months and one day from the date the debt was incurred, on each day in the tax year on and after the first day in the tax year that is not more than six months and one day prior to the maturity date (see examples below).

Cash, under certain circumstances, may be treated as investment capital. See instructions for Form CT-3-A/ATT, line 6.

Examples

1. *A calendar year taxpayer owns a municipal bond with a maturity date of 1/31/05. As of 7/30/04, the first day not more than six months and one day before the maturity date, and on each day thereafter, the bond is deemed to be cash. The bond should be included in Part I, but in computing the average value of the bond and attributable liabilities, the taxpayer should be treated as no longer owning the bond on any date on or after 7/30/04. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after 7/29/04.*

2. *A taxpayer purchased a four-month qualifying corporate debt instrument on the day it was issued, and on the maturity date renewed it for an additional four-month term. The two four-month debt instruments are deemed to be cash. The renewal of the first four-month debt instrument is treated as the creation of a second,*

separate debt instrument, each of the two instruments being due within six months and one day of the date on which the debt was incurred.

3. *A calendar-year taxpayer at all times during the tax year owns a five-year qualifying, marketable corporate bond with a maturity date of 1/2/05. The taxpayer also owns corporate stock, but has no cash at any point during the 2004 tax year. The bond is deemed to be cash as of 7/1/04, the date six months and one day prior to maturity. The fair market value of the bond is $95,000 on 3/31/04, $90,000 on 6/30/04, $98,000 on 9/30/04 and $100,000 on 12/31/04. The bond should be listed in Section I, column A, because it qualifies as investment capital. Its average value, to be stated in column C of Section I, is computed as ($95,000 + $90,000 + 0 + 0) ÷ 4 = $46,250. The use of the zeros represents the fact that the taxpayer is deemed to own cash, and not a bond, on 9/30 and 12/31. The average value of the bond insofar as it is deemed to be cash is computed as (0 + 0 + $98,000 + $100,000) ÷ 4 = $49,500. The use of the zeros represents the fact that the taxpayer owned no cash on 3/31 or 6/30. The figures $98,000 and $100,000 represent the fact that the taxpayer is deemed to own cash in those amounts on 9/30 and 12/31, respectively. The taxpayer had liabilities attributable to the bond. The amount of the liabilities should be treated in conformity with the above treatment of the value of the bond itself. Thus, the liabilities, which were in the amount of $10,000, $12,000, $8,000 and $6,000 on the four test dates, yield an average liability of $5,500 attributable to the listed bond ($10,000 + $12,000 + 0 + 0) ÷ 4 = $5,500, to be entered in column D of Section I, and an average liability of $3,500 (0 + 0 + $8,000 + $6,000 ÷ 4 = $3,500) to be applied to determine the net average value of the taxpayer's cash. If the taxpayer elects to treat the deemed cash as investment capital, it would include $49,500 on line 6, column C, and $3,500 on line 6, column D. If the cash election is not made, the $49,500, reduced by $3,500, would constitute business capital.*

4. *A taxpayer purchased a debt instrument, includable in Section I, with a maturity date of 12/15/04. Any such investment will be deemed cash on the same numerical date as the maturity date, less one day, six months prior. Thus the date on which this debt instrument becomes cash is 6/14/04.*

Column C — Enter the total average fair market value of each item listed in column A. On any date, the fair market value of stocks, bonds, and other regularly traded securities is the mean between the highest and lowest selling prices.

The average value is generally computed quarterly if your usual accounting practice permits it, but you may use a monthly, weekly, or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation of average fair market value, you may use a semiannual or annual computation if no distortion of average fair market value results. If the security is not marketable, value it using generally accepted accounting principles (GAAP). (See Example 3 above.)

Column D — Deduct all liabilities, both long-term and short-term, directly or indirectly attributable to investment capital. Use the same method of averaging used to determine the average value of assets in column C. Enter for each item of investment capital listed in column A the sum of the liabilities directly or indirectly attributable to it. Liabilities directly attributable to an asset are those that were incurred to acquire that asset. (See Example 3 above.)

Use the *Schedule A, Column D Worksheet,* on this page to determine the amount of liabilities indirectly attributable to a particular asset.

In column D, on the line for the asset in question, include the sum of the amount from line O of the Schedule A, column D worksheet, and the amount of liabilities directly attributable to that asset.

Column E — Determine the net average value of each item listed in column A by subtracting column D from column C. The net average value of any item cannot be less than zero.

Column F — Enter the issuer's allocation percentage for each investment listed in column A. The *issuer's allocation percentage* used to compute investment capital allocated to New York is the percentage determined on the New York State tax return filed by the issuing corporation for the preceding year. The issuer's allocation percentage on government bonds listed in Part I is 0%.

You may obtain up to three issuer's allocation percentages by calling toll free 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.

Issuer's allocation percentages are also available from many online services, printed tax services, or on the Tax Department's Web site *(www.nystax.gov)*.

Column G — Determine the value of each investment in column A by multiplying each item in column E by the issuer's allocation percentage listed in column F.

Schedule A, Column D Worksheet

Liabilities indirectly attributable to a particular asset

A. Total liabilities *(enter amount from Form CT-3-A, or Form CT-3-A/B, line 31, appropriate column)*	A.	
Liabilities directly attributable to:		
B. Subsidiary capital	B.	
C. Investment capital	C.	
D. Business capital	D.	
E. Total liabilities directly attributable: *(add lines B, C, and D)*	E.	
F. Total liabilities indirectly attributable: *(subtract line E from line A)*	F.	
G. Average value of investment capital *(enter amount from Form CT-3-A/ATT, line 7, column C)*	G.	
H. Average value of adjusted total assets *(enter amount from Form CT-3-A or Form CT-3-A/B, line 30, appropriate column)*	H.	
I. Divide line G by line H	I.	%
J. Multiply line F by line I	J.	
K. Value of the particular asset	K.	
L. Enter amount from line G	L.	
M. Divide line K by line L	M.	%
N. Enter amount from line J	N.	
O. Liabilities indirectly attributable to a particular asset *(multiply line M by line N)*	O.	

Section II — Columns A through G

Column A – List investments in the following:

— stock issued by a corporation

— options as described in item (4) of the definition of investment capital listed on page 18

— units in a publicly traded partnership treated as a corporation for purposes of Article 9-A of the Tax Law

— business trust certificates

— stock rights and stock warrants not in the possession of the issuer

— other corporate equity instruments similar to stock

Columns C through G – See instructions for Section I, columns C through G.

Section III — Computation of investment capital

Line 6 – Cash election — At the election of the taxpayer, cash on hand and cash on deposit may be treated as either investment capital or business capital. However, no election to treat cash as investment capital may be made when the taxpayer has no other investment capital.

If one member of the combined group has investment capital, then all the members of the combined group may elect to treat cash as investment capital. All corporations in the combined group must make the same election.

Cash includes shares in a money market mutual fund. A *money market mutual fund* is a no-load, open-end investment company registered under the Federal Investment Company Act of 1940 that attempts to maintain a constant net asset value per share. Also see *Instruments deemed cash* on page 18.

(continued)

Cash cannot be split between business capital and investment capital. It must be treated as all business capital or all investment capital.

Schedule B — Computation and allocation of subsidiary capital base

Subsidiary capital is the taxpayer's total investment in shares of capital stock of its subsidiaries, and the amount of indebtedness owed to the taxpayer by its subsidiaries (whether or not evidenced by written instruments) on which interest is not claimed and deducted by the subsidiary against any tax imposed by Article 9-A, 32, or 33, less liabilities directly or indirectly attributable to subsidiary capital.

When computing the amount of indebtedness owed to the taxpayer by its subsidiaries, each subsidiary should be considered separately. Loans and advances from the parent to the subsidiary may be offset by loans and advances from the same subsidiary to the parent, but may not be reduced to less than zero. Loans and advances from a subsidiary to the parent may not offset the parent's investment in the stock of the subsidiary or offset loans and advances from the parent to any other subsidiary.

Subsidiary capital does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for the sale of property primarily held for sales to customers. Each item of subsidiary capital must be reduced by any of the parent's liabilities that are directly or indirectly attributable to that item of subsidiary capital.

Do not include stocks issued by, and any indebtedness from, a QSSS in the computation of subsidiary capital if the QSSS is included in the parent's return.

When computing combined subsidiary capital, all investments in the stock of subsidiaries included in the combined return and any indebtedness from subsidiaries included in the combined return must be eliminated on Form CT-3-A, column D, lines 220 through 221.

Column A — Enter the full name and federal employer identification number of each subsidiary.

Column C — Enter the average value of each item of subsidiary capital. Average value is generally computed quarterly if your usual accounting practice permits. However, you may use a more frequent basis such as a monthly, weekly, or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation of average value, you may use a semiannual or annual computation if no distortion of average value results. Value marketable securities at fair market value and value other items of subsidiary capital using GAAP.

Column D — Deduct all liabilities, both long-term and short-term, directly or indirectly attributable to subsidiary capital. Use the same method of averaging used to determine the average value of assets in column C. Enter for each item of subsidiary capital listed in column A the liabilities directly or indirectly attributable to it. Liabilities directly attributable to an asset (stock or debt) are those that were incurred to acquire that asset.

Use the *Schedule B, Column D Worksheet,* on this page to determine the amount of liabilities indirectly attributable to a particular asset.

In column D, on the line for the asset in question, include the sum of the amount from line O of this worksheet and the amount of liabilities directly attributable to that asset.

Column E — Determine the net average value of each item listed in column A by subtracting column D from column C. The net average value of any item cannot be less than zero.

Column F — Enter the issuer's allocation percentage for each item listed in column A. See instructions for Form CT-3-A/ATT, Schedule A, Section I, column F, on page 19.

Column G — Multiply net average value, column E, of each item listed in column A by its issuer's allocation percentage in column F. This is the value of subsidiary capital allocated to New York State.

Line 11 — Deduct 100% of the value of subsidiary capital for subsidiaries subject to tax under Tax Law Article 32 (banking corporations), Article 33 (insurance corporations), and Article 9, section 186. Attach a breakdown of subsidiaries for this deduction.

Schedule B, Column D Worksheet

Liabilities directly or indirectly attributable to subsidiary capital

A. Total liabilities *(enter amount from Form CT-3-A or Form CT-3-A/B, line 31, appropriate column)*	A.	_____
Liabilities directly attributable to:		
B. Subsidiary capital	B.	_____
C. Investment capital	C.	_____
D. Business capital	D.	_____
E. Total liabilities directly attributable *(add lines B, C, and D)*	E.	_____
F. Total liabilities indirectly attributable *(subtract line E from line A)*	F.	_____
G. Average value of subsidiary capital *(enter amount from Form CT-3-A/ATT, line 8, column C)*	G.	_____
H. Average value of adjusted total assets *(enter amount from Form CT-3-A or Form CT-3-A/B, line 30, appropriate column)*	H.	_____
I. Divide line G by line H	I.	_____ %
J. Multiply line F by line I	J.	_____
K. Value of the particular asset	K.	_____
L. Enter amount from line G	L.	_____
M. Divide line K by line L	M.	_____ %
N. Enter amount from line J	N.	_____
O. Liabilities indirectly attributable to a particular asset *(multiply line M by line N)*	O.	_____

Schedule C — Qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations

This schedule is only required to be filled out by qualified public utilities and transferees, power producers, and pipeline corporations previously taxable under Article 9. This schedule allows these taxpayers to make the necessary adjustments to ENI required by New York State Tax Law sections 208.9(c-2) and 208.9(c-3).

General

Qualified public utility corporations must adjust ENI to reflect modifications for depreciation, and federal gain or loss on transition property, and for regulatory assets pursuant to Tax Law section 208.9(c-2). Complete Schedule C, Part I.

Transferees (whether or not qualified public utilities) of transition property from a qualified public utility in a tax-free transaction must adjust ENI to reflect modifications to federal gain or loss subsequently recognized on the transition property, pursuant to Tax Law section 208.9(c-2)(6)(B)(iv). Complete Schedule C, Part I, lines 20, 21, and 23.

Qualified power producers and qualified pipeline corporations must adjust ENI to reflect modifications for depreciation on transition property pursuant to the Tax Law section 208.9(c-3). Complete Schedule C, Part II.

A *qualified public utility* is a taxpayer that:

— was subject to ratemaking supervision by the New York State Department of Public Service on December 31, 1999; **and**

— was subject to tax under Tax Law Article 9, section 186, for the tax year ending on December 31, 1999.

A *qualified power producer* is a taxpayer that:

— was not subject to ratemaking supervision by the New York State Department of Public Service on December 31, 1999; **and**

— was subject to tax under Tax Law Article 9, section 186, for the tax year ending on December 31, 1999, because it was principally engaged in the business of supplying electricity.

A *qualified pipeline* is a taxpayer that:

— was subject to ratemaking supervision by the Federal Energy Regulatory Commission or the New York State Department of Public Service on December 31, 1999; **and**

— was subject to tax under Tax Law Article 9 sections 183 and 184, for the tax year ending on December 31, 1999, because it was principally engaged in the business of pipeline transmission.

Transition property is property placed in service by a qualified public utility, qualified power producer, or qualified pipeline before January 1, 2000, for which a depreciation deduction is allowed under section 167 of the IRC. Property is transition property only for the taxpayer that owns it on January 1, 2000, and is not transition property in the hands of a subsequent transferee. (However, see the instructions for Schedule C, lines 20 and 21, for a basis adjustment that may inure from transition property.)

Book basis of transition property is the cost of the property less the accumulated depreciation on the property determined on the taxpayer's books and records in accordance with generally accepted accounting principles.

New York basis of transition property is the cost of the property less the aggregate of the New York depreciation deductions allowed on the property under Tax Law Article 9-A. This aggregate is the sum of the amounts on line 17 of Schedule C with respect to the property for all taxable years ending after 1999.

Part I — Adjustments for qualified public utilities and transferees

Complete this part if you are a qualified public utility. Use lines 13 through 23 to compute the adjustments for combined ENI.

Transferees: if you are not a qualified public utility, but you are a transferee of transition property from a qualified public utility, use only lines 20, 21, and 23 to compute the adjustments for ENI.

Other additions

Line 13

Transition property – federal depreciation — Enter the amount deducted on your federal return for depreciation of transition property. See line 17 to compute the New York depreciation deduction. *Transition property* is defined above.

Line 14

Transition property – federal loss — If transition property is sold or otherwise disposed of at a loss for federal income tax purposes, the amount of the loss must be recalculated for New York using book basis in place of federal tax basis for the property. Enter here the amount of loss deducted on your federal return and see line 18 to recalculate the loss for New York.

Line 15

Transition property – New York gain — If transition property is sold or otherwise disposed of at a gain for federal income tax purposes in a tax year ending before 2010 (or at any time thereafter if the property is a nuclear electric generating facility), the amount of the gain must be recalculated for New York using New York basis in place of federal tax basis for the property. However, such recalculation may only reduce the federal gain to zero; it cannot produce a New York loss. Enter here the New York gain on transition property calculated using New York basis. If recalculation of the federal gain using New York basis yields a loss, the New York gain is zero. See line 19 to subtract the federal gain.

Other subtractions

Line 17

Transition property – New York depreciation — In place of the federal depreciation deduction entered on line 13, enter the amount of depreciation expense on transition property shown on your books and records for the tax year and determined in accordance with GAAP.

In the case of a financing arrangement when, for federal purposes, the qualified public utility is treated as the owner of the transition property and allowed a depreciation deduction for federal income tax purposes but not allowed a depreciation deduction for GAAP purposes, you should compute the New York depreciation deduction in accordance with GAAP as if the transition property was depreciated on your books and records.

Line 18

Transition property – New York loss — In place of the federal loss entered on line 14, compute the New York loss on the sale or other disposition of transition property by using book basis instead of federal tax basis.

Line 19

Transition property – federal gain — Enter the amount of gain included on your federal return from the sale or other disposition of transition property. See line 15 to recalculate the gain for New York.

Lines 20 and 21

Transition property basis adjustment carryover — If transition property is disposed of in a nonrecognition transaction (original disposition), such as a tax-free reorganization or a trade-in for replacement property, a basis adjustment on the transition property carries over to the transferee of the property or to the replacement property, in order to reduce the gain or increase the loss in a subsequent recognition transaction involving the property that was formerly transition property or the replacement property.

Line 20 – Federal gain — If the former transition or replacement property is sold at a gain for federal income tax purposes in a tax year ending before 2010 (or at any time thereafter if the property is a nuclear electric generating facility), the gain is reduced, but not below zero, by the New York basis differential. The *New York basis differential* is the amount by which the New York basis of the property exceeds its federal tax basis on the date of *original disposition*. Enter here the New York basis differential of the former transition property or replacement property sold at a federal gain this year, but not more than the amount of differential necessary to bring the federal gain to zero.

Line 21 – Federal loss — If the former transition or replacement property is sold at a loss for federal income tax purposes, the loss is increased by the amount of the book basis differential. The *book basis differential* is the amount by which the book basis of the property exceeds its federal income tax basis on the date of *original disposition*. Enter here the book basis differential of the former transition property or replacement property sold at a federal loss this year.

Line 22

Regulatory assets — Enter the amounts recognized as expense on your books and records for the tax year, and recognized as expense for federal income tax purposes in a tax year ending on or before December 31, 1999, if: (A) such amounts represent expenditures that, when made, were charged to a deferred debit account or similar asset account on your books and records, and if (B) the recognition of expense on your books and records is matched by revenue stemming from a procedure or adjustment allowing the recovery of such expenditure, and if (C) the revenue is recognized for federal income tax purposes in the tax year.

(continued)

Part II — Adjustments for qualified power producers and qualified pipeline corporations

Complete this part if you are a qualified power producer or a qualified pipeline corporation and you claim a depreciation deduction on transition property for federal income tax purposes. Use lines 24 and 25 to compute the adjustments for ENI.

Other additions

Line 24

Enter the amount deducted on your federal return for depreciation of transition property. Transition property is defined on page 21.

Other subtractions

Line 25

In place of the federal depreciation deduction entered on line 24, compute a New York depreciation deduction by treating all of your transition property as a single asset placed in service on the first day of the federal tax year that ends in 2000. The *New York basis for depreciation* is the net book value of your transition property on the first day of the federal tax year that ends in 2000 (or on the later date in 1999 that the property is placed in service). To compute the New York deduction, use net book value, the straight-line depreciation method, a 20-year life, and a salvage value of zero.

For qualified power producers, *net book value* is the cost of your transition property minus the accumulated depreciation shown on your books and records, and determined in accordance with GAAP.

For qualified pipeline corporations, *net book value* is the cost of your transition property minus the accumulated depreciation shown on your books and records, and determined in accordance with the regulatory reports filed with the Federal Energy Regulatory Commission or the New York State Department of Public Service.

When preparing and mailing your corporation franchise tax return, please be sure to:

— Include your employer identification number and file number on each form filed.

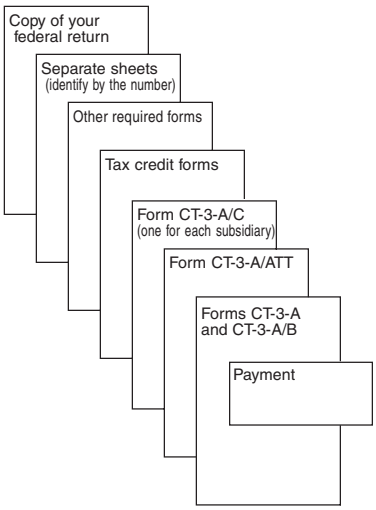
— Have the appropriate individuals sign the return.

— Make your check payable to: ***New York State Corporation Tax.***

— Attach a complete copy of your federal return.

— Attach Form CT-3-A/ATT and all other required forms.

— Assemble your return and attachments this way:



If payment is enclosed, mail to:

NYS CORPORATION TAX
PROCESSING UNIT
PO BOX 1909
ALBANY NY 12201-1909

If you have not enclosed payment, mail to:

NYS CORPORATION TAX
PROCESSING UNIT
PO BOX 22095
ALBANY NY 12201-2095

If you use a delivery service other than the U.S. Postal Service, see *Private delivery services* on page 26.

Line 5a Worksheet

Interest deductions indirectly attributable to combined subsidiary capital

A. Enter federal interest deductions shown on federal Form 1120, line 18 A. _____

B. Enter amounts of interest deductions included on line A that are required to be added back to FTI in computing combined ENI (other than the amounts on Form CT-3-A, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3-A, line 15.

Enter the Form CT-3-A line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* C. _____

D. Enter amounts of interest deductions that are required to be subtracted from FTI in computing combined ENI (for example, the interest deductions taken in computing the amount on Form CT-3-A, line 2, or amounts related to foreign source income not included on federal Form 1120).

Enter the Form CT-3-A line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

E. Total New York interest deductions included in combined ENI *(add lines C and D)* E. _____

F. Enter any interest deduction directly attributable to combined subsidiary capital included on Form CT-3-A, line 4a F. _____

G. Enter any interest deductions directly attributable to combined investment capital included on Form CT-3-A, line 209 G. _____

H. Enter any interest deduction directly attributable to combined business capital H. _____

I. Subtotal *(add lines F, G, and H)* I. _____

J. Interest deductions subject to indirect attribution *(subtract line I from line E)* J. _____

K. Enter the amount from Form CT-3-A, line 220 (reduced by any portion of such amount that is required to be eliminated in column D) K. _____

L. Enter the amount from Form CT-3-A, line 30 (reduced by any portion of such amount that is required to be eliminated in column D) L. _____

M. Percentage *(divide line K by line L)* M. _____ %

N. Amount of interest deductions indirectly attributable to combined subsidiary capital *(multiply line J by line M; enter this amount on line 5a)* N. _____

See the worksheet for line 5b on page 24 (instructions are on page 8). Then continue with line 6 instructions on page 8.

Line 211 Worksheet

Interest deductions indirectly attributable to combined investment capital

A. Enter federal interest deductions included on federal Form 1120, line 18 A. _____

B. Enter amounts of interest deductions included on line A that are required to be added back to FTI in computing combined ENI (other than the amount on Form CT-3-A, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3-A, line 15.
Enter the Form CT-3-A line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* C. _____

D. Enter amounts of interest deductions that are required to be subtracted from FTI in computing combined ENI (for example, the interest deductions taken in computing the amount on Form CT-3-A, line 2, or amounts related to foreign source income not included on federal Form 1120).
Enter the Form CT-3-A line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

E. Total New York interest deductions included in combined ENI *(add lines C and D)* E. _____

F. Enter any interest deduction directly attributable to combined subsidiary capitals included on Form CT-3-A, line 4a F. _____

G. Enter any interest deductions directly attributable to combined investment capital from Form CT-3-A, line 209 G. _____

H. Enter any interest deductions directly attributable to combined business capital H. _____

I. Subtotal *(add lines F, G, and H)* I. _____

J. Interest deductions subject to indirect attribution *(subtract line I from line E)* J. _____

K. Enter the amount from Form CT-3-A/ATT, line 7, column C, reduced by any portion of such amount required to be eliminated on Form CT-3-A, lines 196A and 197A, column D K. _____

L. Enter amount from Form CT-3-A, line 30 (reduced by any portion of such amount which is required to be eliminated in column D) L. _____

M. Percentage *(divide line K by line L)* M. _____ %

N. Amount of interest deductions indirectly attributable to combined investment capital *(multiply line J by line M; enter this amount on line 211)* N. _____

See the worksheet for line 212 on page 25 (instructions are on page 17). Then continue with line 213. Line 214 instructions are on page 17.

Line 5b Worksheet

Noninterest deductions indirectly attributable to combined subsidiary capital

A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) A. _____

B. Enter amounts of noninterest deductions included on line A that are required to be added back to FTI in computing combined ENI (other than the amounts on Form CT-3-A, lines 4b and 5b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts are subtracted in computing ENI or combined ENI for prior tax years that began on or after January 1, 1987

Enter the Form CT-3-A line numbers and amounts below:

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* C. _____

D. Enter amounts of noninterest deductions listed below that are required to be subtracted from FTI in computing combined ENI

— The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to IRC section 280C (Tax Law section 208.9(a)(7)).
— Depreciation deductions permitted under Article 9-A with respect to **decoupled** property pursuant to Tax Law section 208.9(a)(11) and (12).
— Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law section 208.9(a)(10).
— The noninterest deductions taken in computing the amount on Form CT-3-A, line 2.
— Depreciation deduction permitted under Article 9-A for **decoupled** property pursuant to Tax Law sections 208.9(o) and 208.9(p).
— Related member royalty income deduction permitted under Article 9-A pursuant to Tax Law section 208.9(o).
— SUV recapture permitted under Article 9-A pursuant to Tax Law section 208.9(a)(16)
— Deduction for qualified public utilities and transferees permitted under Article 9-A pursuant to Tax Law section 208.9(c-2)
— Deduction for qualified power producers and qualified pipeline corporations permitted under Article 9-A pursuant to Tax Law section 208.9(c-3)
— Deduction for sale of qualified emerging technology investment (QETI) permitted under Article 9-A pursuant to Tax Law section 208.9(l)
— Deduction for eligible settlement fund or eligible grantor trust permitted under Article 1 pursuant to Tax Law section 13.

Enter the Form CT-3-A line numbers and amounts below:

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

E. Total New York noninterest deduction included in combined ENI *(add lines C and D)* E. _____

F. Enter noninterest deductions directly attributable to combined subsidiary capital from Form CT-3-A, line 4b F. _____

G. Enter noninterest deductions directly attributable to combined investment capital, from Form CT-3-A, line 210 G. _____

H. Enter noninterest deductions directly attributable to combined business capital H. _____

I. Subtotal *(add lines F, G, and H)* I. _____

J. Noninterest deductions subject to indirect attribution *(subtract line I from line E; see instructions for line R)* J. _____

K. Enter gross income from combined subsidiary capital. *Gross income from combined subsidiary capital* is that portion of total gross income, consisting of dividends, interest, and gains (but not losses) from combined subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-A, line 219, and add back any losses used to compute the amount of capital gains from combined subsidiary capital on line 218. These amounts should be reduced by any portion of such amounts required to be eliminated as intercorporate transactions. K. _____

L. Enter total gross income. For these purposes, *total gross income* means gross income as defined in IRC section 61, increased by (a) those items described in section 61 that are included in the computation of ENI by reason of Tax Law section 208.9(c) (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under IRC section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. Combined gross income should be adjusted for any intercorporate transactions. L. _____

M. Income percentage *(divide line K by line L)* M. _____ %

N. Enter amount from Form CT-3-A, line 220, column C (reduced by any portion of such amount required to be eliminated in column D) N. _____

O. Enter amount from Form CT-3-A, line 30 (reduced by any portion of such amount required to be eliminated in column D) O. _____

P. Asset percentage *(divide line N by line O)* P. _____ %

Q. Combined subsidiary capital percentage (If line L is zero, the subsidiary capital percentage is equal to the asset percentage. If line O is zero, the subsidiary capital percentage is equal to the income percentage.)

a. Enter percentage from line M _____ %; multiply by two a. _____ %
b. Enter percentage from line P b. _____ %
c. Total *(add lines a and b)* c. _____ %
d. Subsidiary capital percentage *(divide line c by three)* Q. _____ %

R. Amount of noninterest deductions indirectly attributable to combined subsidiary capital *(multiply line J by the percentage from line Q or, if an election has been made to use the asset percentage, by the percentage from line P. Enter this amount on line 5b.)* R. _____

After completing this worksheet, continue with line 6 instructions on page 8.

Line 212 Worksheet

Noninterest deductions indirectly attributable to combined investment capital

A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) A. _____

B. Enter amounts of noninterest deductions included on line A that are required to be added back to FTI in computing ENI (other than the amounts on Form CT-3-A, lines 4b and 5b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts were subtracted in computing ENI or combined ENI for prior tax years that began on or after January 1, 1987.

Enter the Form CT-3-A line numbers and amounts below:

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* C. _____

D. Enter amounts of noninterest deductions that are required to be subtracted from FTI in computing combined ENI. These are:

— The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to IRC section 280C (Tax Law section 208.9(a)(7))

— Depreciation deductions permitted under Article 9-A with respect to **decoupled** property pursuant to Tax Law section 208.9(a)(11) and (12)

— Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law section 208.9(a)(10)

— The noninterest deductions taken in computing the amount on Form CT-3-A, line 2

— Depreciation deduction permitted under Article 9-A for **decoupled** property pursuant to Tax Law sections 208.9(o) and 208.9(p).

— Related member royalty income deduction permitted under Article 9-A pursuant to Tax Law section 208.9(o).

— SUV recapture permitted under Article 9-A pursuant to Tax Law section 208.9(a)(16)

— Deduction for qualified public utilities and transferees permitted under Article 9-A pursuant to Tax Law section 208.9(c-2)

— Deduction for qualified power producers and qualified pipelines corporation permitted under Article 9-A pursuant to Tax Law section 208.9(c-3)

— Deduction for sale of qualified emerging technology investment (QETI) permitted under Article 9-A pursuant to Tax Law section 208.9(l)

— Deduction for eligible settlement fund or eligible grantor trust permitted under Article 1 pursuant to Tax Law section 13.

Enter the Form CT-3-A line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

E. Total New York noninterest deductions included in combined ENI *(add lines C and D)* E. _____

F. Enter noninterest deductions directly attributable to combined subsidiary capital from Form CT-3-A, line 4b F. _____

G. Enter noninterest deductions directly attributable to combined investment capital, from Form CT-3-A, line 210 G. _____

H. Enter noninterest deductions directly attributable to combined business capital H. _____

I. Subtotal *(add lines F, G, and H)* I. _____

J. Noninterest deductions subject to indirect attribution *(subtract line I from line E; see instructions for line R)* J. _____

K. Enter gross income attributable to combined investment capital. *Gross income from combined investment capital* is that portion of total gross income, consisting of (a) dividends, interest, and gains (but not losses) from investment capital, and (b) items described in 20 NYCRR 4-8.3(a)(2)-(5). To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-A, line 208, and add back any dividends excluded on line 11 and any losses used to compute the amount of capital gains from combined investment capital on line 206. These amounts should be reduced by any portion of such amounts required to be eliminated as intercorporate transactions. K. _____

L. Enter total gross income:

— For these purposes *total gross income* means gross income as defined in IRC section 61, increased by (a) those items described in such section 61 that are included in the computation of ENI by reason of Tax Law section 208.9(c) (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under IRC section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. Combined gross income should be adjusted for any intercorporate transactions. L. _____

M. Income percentage *(divide line K by line L)* M. _____ %

N. Enter amount from Form CT-3-A/ATT, line 7, column C, reduced by any portion of such amount required to be eliminated on Form CT-3-A, lines 196A and 197A, column D N. _____

O. Enter amount from Form CT-3-A, line 30 (reduced by any portion of such amount which is required to be eliminated in column D) O. _____

P. Asset percentage *(divide line N by line O)* P. _____ %

Q. Combined investment capital percentage (If line L is zero, the combined investment capital percentage is equal to the asset percentage. If the line O is zero, the combined investment capital percentage is equal to the income percentage.)

a. Enter percentage from line M _____ % ; multiply by two a. _____ %

b. Enter percentage from line P b. _____ %

c. Total *(add lines a and b)* c. _____ %

d. Combined investment capital percentage *(divide line c by three)* Q. _____ %

R. Amount of noninterest deductions indirectly attributable to combined investment capital *(multiply line J by the percentage from line Q or, if an election has been made to use the asset percentage, by the percentage from line P. Enter this amount on line 212.)* R. _____

After completing this worksheet, continue with line 213. Line 214 instructions are on page 17.

Private delivery service

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return and pay tax. However, if, at a later date, you need to establish the date you filed your return or paid your tax, 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? below* for information on ordering forms and publications.) If you have used a designated private delivery service and need to establish the date you filed your return, contact that private delivery service for instructions on how to obtain written proof of the date your return was given to the delivery service for delivery. If you use **any** private delivery service, whether it is a designated service or not, address your return to: State Processing Center, 431C Broadway, Albany, NY 12204-4836.

Need help?

Internet access: *www.nystax.gov* (for information, forms, and publications)

Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week. 1 800 748-3676

Telephone assistance is available from 8:00 A.M. to 5:00 P.M. (eastern time), Monday through Friday.

To order forms and publications:	1 800 462-8100
Business Tax Information Center:	1 800 972-1233
From areas outside the U.S. and outside Canada:	(518) 485-6800

Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

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 1 800 972-1233.

Privacy notification

The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 171, 171-a, 287, 308, 429, 475, 505, 697, 1096, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i).

This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose.

Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law.

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 Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.

Your rights under the Tax Law

The Taxpayer Bill of Rights requires, in part, that the Tax Department advise you, in writing, of your rights and obligations during an audit, when appealing a Tax Department decision, and when your appeal rights have been exhausted and you need to understand the Tax Department's enforcement capabilities. For a complete copy of the information contained in all of these statements, see Publication 131, *Your Rights and Obligations Under the Tax Law.* For a copy, see our Web site at *www.nystax.gov* or call toll free 1 800 462-8100. From areas outside the U.S. and outside Canada, call (518) 485-6800.

Make Breast Cancer a Disease of the Past

Your gifts to the Breast Cancer Research and Education Fund have supported ground-breaking research projects in New York State. More dollars will support more studies that bring us closer to the cures and the prevention of breast cancer. Look for the line on your state tax form and write in a tax-deductible donation that could help put an end to this dreaded disease. New York State will match this donation to the Breast Cancer Research and Education Fund, dollar for dollar. Your contribution will be used to fund important biomedical research studies and education projects.

Gift for Prostate Cancer Research, Detection, and Education Fund

Your gifts to this newly established fund will be used to provide grants to the New York State Coalition to Cure Prostate Cancer, which will help coordinate and manage prostate cancer research, detection, and education efforts in New York State. New York State will match your donation, dollar for dollar. If you want to contribute, see the applicable line instructions.

Return a Gift to Wildlife
on your New York State Tax Return

To find out more about New York's Wildlife, check out the *Conservationist* magazine online at www.theconservationist.org

New York's fish, wildlife & marine resources thank you for your contribution