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## Important Notice

February 2006

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New Enhancement to Farmers' School Tax Credit  
Corrections to Instructions for Form IT-217,  
*Claim for Farmers' School Tax Credit*

Chapter 728 of the Laws of 2005 provides an enhancement to the farmers' school tax credit. The new law, described below, applies to tax years beginning in 2005 and after.

As a result of the new law, for tax years beginning in 2005 and after, a taxpayer who is an eligible farmer will be able to claim the credit for eligible school district property taxes paid on qualified agricultural property **owned by the taxpayer's father, mother, grandfather, grandmother, brother or sister**, provided (a) the taxpayer has entered into a written agreement expressing his or her intent to eventually purchase the property and (b) the owner(s) has given the taxpayer a document stating that the owner(s) is waiving his/her right to claim the credit, if any, on the qualified agricultural property that is subject to the written agreement.

Since this legislation was pending at the time the instructions for Form IT-217, *Claim for Farmers' School Tax Credit*, were printed, the change is not reflected in those instructions. Accordingly, refer to the information below when completing your 2005 Form IT-217.

The first paragraph of Item A, Part 1, on page 2 of Form IT-217-I is revised as follows (new material is in boldface):

**Item A** – Mark an X in the *Yes* box if:

- (1) you owned qualified agricultural property during 2005, or
- (2) you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that owned qualified agricultural property during 2005, or
- (3) **your father, mother, grandfather, grandmother, brother, or sister owned qualified agricultural property during 2005 and (a) you have a written agreement with the owner(s) that you intend to eventually purchase that qualified agricultural property, and (b) the owner(s) has given you a document stating that the owner(s) is waiving his/her right to claim the credit, if any, on the qualified agricultural property that is subject to the written agreement. Mark an X in the *Yes* box even if you did not actually pay the school district property taxes on the qualified agricultural property.**

The written agreement does not have to be in any particular legal form but it must be signed by all parties to the agreement and must have been in effect for at least part of the tax year to which the credit relates. The waiver document does not have to be in any particular form, but it can be for only one tax year and must include (1) the name of the owner(s), (2) the name of the relative with whom the owner(s) has entered into a written agreement to sell his/her qualified agricultural property, (3) a statement that the owner(s) is waiving his or her right to claim the farmers' school tax credit, (4) the tax year to which the waiver applies (i.e., 2005), (5) the date the agreement to sell was entered into, and (6) the signature of the owner(s). The waiver document must be given to you even if the owner(s) does not qualify to claim the farmers' school tax credit on the property. Once the waiver is made for a tax year, it cannot be

**revoked for that tax year, but the owner(s) may decide whether or not to issue a waiver for any subsequent tax year.**

Qualified agricultural property you purchased under a land sales contract is considered owned by you if you are obligated under the land sales contract to pay the school district property taxes on the purchased property, and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

The first and second paragraphs of Item B, Part 1, on page 2 of Form IT-217-I are revised as follows (new material is in boldface):

**Item B** – If **(1)** you paid eligible school district property taxes on qualified agricultural property during 2005, or **(2)** you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that paid eligible school district property taxes on qualified property during 2005, or **(3) your father, mother, grandfather, grandmother, brother, or sister paid eligible school district property taxes on qualified agricultural property during 2005 and you have a written agreement and waiver document as described in *Item A***, mark an **X** in the *Yes* box.

*Eligible school district property taxes* are real property taxes levied by a school district on qualified agricultural property **owned by you or owned by your father, mother, grandfather, grandmother, brother, or sister and (1) you have a written agreement with the owner(s) that you intend to eventually purchase that qualified agricultural property, even if you did not actually pay the school district property taxes on the qualified agricultural property, and (2) the owner(s) has given you a document stating that the owner(s) is waiving his/her right to claim the credit, if any, on the qualified agricultural property that is subject to the written agreement.** Qualified agricultural property you purchased under a land sales contract is considered owned by you if you are obligated under the land sales contract to pay the school district property taxes on the purchased property and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

The first paragraph of Part 2, Line 1 instructions on page 3 of Form IT-217-I is revised as follows (new material is in boldface):

**Line 1** – Enter the total acres of qualified agricultural property **owned by you** (and your spouse if filing a joint return) during 2005, **and the number of acres owned by your father, mother, grandfather, grandmother, brother, or sister during 2005 that are covered by a written agreement and waiver document as described in *Item A***. Be sure to include the number of acres under buildings or structures that are qualified agricultural property.

The first paragraph of Part 2, Line 10 instructions on page 4 of Form IT-217-I is revised as follows (new material is in boldface):

**Line 10** – Enter the eligible school taxes paid by you (and your spouse if filing a joint return) in 2005. **Also, enter the eligible school taxes paid in 2005 on property covered by a written agreement and waiver document as described in *Item A* (even if you did not actually pay the taxes on the property).**



# Instructions for Form IT-217 Claim for Farmers' School Tax Credit



This form may be e-filed as an attachment to an e-filed return; you cannot e-file this form by itself.

## General information

**Note:** At the time these instructions went to print, legislation was pending that would revise the eligibility requirements for this credit by amending the definition of *school district property taxes* to include taxes levied for school district purposes on qualified agricultural property owned by the father, mother, grandfather, grandmother, brother, or sister of the taxpayer, and a written agreement expressing the intent of the taxpayer to eventually purchase the land has been entered into. For up-to-the-minute information, visit our Web site at [www.nystax.gov](http://www.nystax.gov)

## Introduction

An individual or an estate or trust engaged in the business of farming may be entitled to an income tax credit for the amount of eligible school district property taxes paid on qualified agricultural property. In addition, if a partnership (including a limited liability company treated as a partnership), a New York S corporation, or an estate or trust is engaged in the business of farming or owns qualified agricultural property, an individual or an estate or trust that is a member, shareholder, or beneficiary of the entity may be entitled to the credit. If the credit exceeds the taxpayer's tax for the year, the excess credit will be refunded, without interest. For more information concerning this credit, you may request a copy of Publication 51, *Questions and Answers on New York State's Farmers' School Tax Credit*, and Publication 51.1, *Update to Publication 51 Questions and Answers on New York State's Farmers' School Tax Credit*.

## Purpose of form

Form IT-217 is used to determine if you are eligible to claim the farmers' school tax credit and to determine the amount of the credit. If you are engaged in the business of farming (see *Definitions* below), complete Part 1 of Form IT-217 to determine if you are eligible to claim the farmers' school tax credit.

## Definitions

You are *engaged in the business of farming* if you cultivate, operate, or manage a farm for gain or profit, even though the operation may not produce a profit every year.

You are *engaged in the business of farming* if you are a partner in a partnership, a shareholder in a New York S corporation, or the beneficiary of an estate or trust that operates or manages a farm for gain or profit.

You are also *engaged in the business of farming* if you rent your farm property to another person who uses the property in agricultural production, and the rental arrangement meets one of the following conditions:

- The amount of the rental is a crop share (shared rental agreement); that is, the amount of rent is based upon the actual production of the land, whether paid to you in cash or in kind; **or**

- You have an arrangement with your tenant for your participation in the farm business, and you meet **one** of the following four tests:

**Test 1** — You do **any** three of the following:

- (1) pay or stand good for at least half of the direct costs of producing the crop;
- (2) furnish at least half of the tools, equipment, and livestock used in producing the crop;
- (3) consult with your tenant;
- and (4) inspect the production activities periodically.

**Test 2** — You regularly and frequently make, or take an important part in making, management decisions substantially contributing to or affecting the success of the enterprise.

**Test 3** — You work 100 hours or more spread over a period of five weeks or more in activities connected with crop production.

**Test 4** — You do things which, considered in their total effect, show that you are materially and significantly involved in the production of farm commodities.

*Farming* includes the operation or management of livestock, dairy, poultry, fish, fruit, fur-bearing animal, and vegetable (commonly referred to as truck) farms.

*Farming* also includes the operation or management of plantations, ranches, ranges, and orchards. For example, *farming* includes, but is not limited to, the raising or production of the following commodities:

- field crops, including corn, wheat, oats, rye, barley, hay, potatoes, and dry beans;
- fruits, including apples, peaches, grapes, cherries, and berries;
- vegetables, whether raised conventionally or hydroponically, including tomatoes, snap beans, cabbage, carrots, beets, and onions;
- horticultural specialties, including nursery stock, ornamental shrubs and ornamental trees, and flowers;
- livestock and livestock products, including cattle, sheep, hogs, goats, horses, poultry, farmed deer, farmed buffalo, ostrich, emus, fur-bearing animals, milk, and eggs;
- aquaculture products, including fish, fish products, water plants, and shellfish (provided the aquaculture products are grown and raised as opposed to merely being harvested or caught);
- honey and beeswax produced from your own bees; and
- maple syrup or cider, regardless of whether the income from these operations is includable on federal Schedule C, *Profit or Loss from Business*, or Schedule F, *Profit or Loss From Farming*.

*Farming* also includes the sale of wine from a licensed farm winery as provided in Article 6 of the Alcoholic Beverage Control Law.

Farming does **not** include the commercial boarding and training of horses, providing riding lessons, or providing horses for hire. (Based on recent legislation, for tax years beginning on and after January 1, 2006, farming **will include** commercial horse boarding operations.)

In addition, you are **not** engaged in the business of farming if your principal source of income is from providing agricultural services, such as soil preparation, veterinary services, or farm labor. You are not engaged in the business of farming if you manage or operate a farm for a salary or fee. Furthermore, if you are cultivating or operating a farm for recreation or leisure (such as, a hobby farm), you are not engaged in the business of farming. Also, forestry and logging, including the growing of Christmas trees, is not farming unless the products are used in the operation of a farm or are connected with an otherwise qualifying farm operation as described above (that is, the income from these operations is properly reportable on federal Schedule F).

## How to claim the credit

File Form IT-217 if you are an individual or the fiduciary of an estate or trust, and you qualify for the farmers' school tax credit (see *Line instructions* on page 2 if you are the fiduciary of an estate or trust that distributes all its income).

A partnership or New York S corporation does not file Form IT-217. However, a partnership or S corporation must inform its partners or shareholders of their share of acres of qualified agricultural property, eligible taxes, acres of qualified agricultural property converted to nonqualified use, and acres of qualified conservation property.

## How to file your claim form

In order to claim the farmers' school tax credit you must file or have filed a New York State tax return for 2005. If you are filing this claim with your return, transfer the amount on line 19 to the appropriate line on Form IT-201-ATT, Form IT-203-ATT, or Form IT-205, and attach your completed Form IT-217 to your return. If you have previously filed your 2005 return, send your completed Form IT-217 to:

**STATE PROCESSING CENTER**  
PO BOX 61000  
ALBANY NY 12261-0001

**Private delivery services** — If you need information about using a *Private delivery service* instead of the U.S. Postal Service, see the instructions for your tax return.

## Important reminder to file a complete return

You must complete all required schedules and forms that make up your return, and include all pages of those forms and schedules when you file. Attach **only** those forms and schedules that apply to your return, and be sure that you have made all required entries. Returns that are missing required pages or that have pages with missing entries are considered incomplete and cannot be processed, and may subject taxpayers to penalty and interest.

## Filling in your tax forms

For complete information on how to fill in New York State scannable income tax forms, see the instructions for:

- resident return (Form IT-201),
- nonresident and part-year resident return (Form IT-203), or
- fiduciary return (Form IT-205).

Also see the instructions for the above returns for the *Privacy notification* or if you *Need help* in contacting the Tax Department.

## Line instructions

**Individuals:** Complete Parts 1, 2, and 6.

**Partners, S corporation shareholders, and beneficiaries of estates and trusts:** Complete Parts 1, 2, 3, 4, and 6.

**Fiduciaries:** Complete all parts.

**Note:** If you are the fiduciary of an estate or trust that distributes **all** its income to its beneficiaries, complete only Part 1, items A, B, and F, and Parts 3, 4, 5, and 6.

**Caution:** If you are married, your eligibility for the credit (see Part 1, items C and D) and the amount of the credit (see Part 2, line 15) may depend on whether you file a joint or separate New York return. However, in order to file separate New York returns, you generally must file separate federal returns. Since many federal and state tax benefits are eliminated or reduced when separate returns are filed, you may want to figure your federal and state taxes both ways to determine the most beneficial way to file.

## Part 1 — Eligibility

This part is used to determine if you are eligible to claim the farmers' school tax credit.

**Item A** — If you owned qualified agricultural property during 2005, or were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that owned qualified agricultural property during 2005, mark an **X** in the **Yes** box. Qualified agricultural property you purchased under a land sales contract is considered owned by you if you are obligated under the land sales contract to pay the school district property taxes on the purchased property, and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

A *land sales contract*, commonly referred to as an *installment land contract*, is an agreement to transfer land ownership in exchange for a series of principal and interest payments. The seller does not transfer formal title to the property to the buyer until all or a certain number of payments are made. In addition to an *installment land contract*, a land sales contract may also be referred to as *contract for deed*, *bond for deed*, *conditional sale of real estate*, *contract for sale of land*, and *land contract*. A lease with an option to purchase type arrangement is **not** a land sales contract.

*Qualified agricultural property* includes land and land improvements located in New York State that are used in agricultural production. It also includes structures and buildings (except for buildings used by the taxpayer for residential purposes) that are located on the land and used or occupied to carry out agricultural production.

*Agricultural production* means those activities discussed under *engaged in the business of farming* on the front page.

*Land used in agricultural production* includes land under structures or buildings which are qualified agricultural property and land in support of a farm operation, such as farm ponds, drainage swamps, wetlands, and access roads. It also includes land set aside or retired under a federal supply management or soil conservation program.

A *structure or building* qualifies if it is used (1) in the raising and production for sale of agricultural or horticultural commodities, or (2) for the storage of agricultural commodities for sale at a future time, or (3) for the storage of supplies or for the storage or servicing of equipment necessary for agricultural or horticultural production.

A structure or building is not qualified agricultural property if it is used for (1) the processing of agricultural commodities, or (2) the retail merchandising of agricultural commodities, or (3) the storage of commodities for the personal consumption of you or your family, or (4) your residence or the residence of your immediate family.

**Note:** In the case of the production of maple syrup or cider, and the sale of wine from a farm winery, buildings and structures used to process the sap into syrup, the apples into cider, or grapes into wine are considered qualified agricultural property even though the property is used in processing.

*Processing* means doing something to a farm commodity beyond what is needed to make it initially marketable. The mere sorting, washing, and packaging of fruits and vegetables is not considered processing.

Your *residence* includes a house, mobile home, etc., and any other buildings associated with it, such as garages or sheds, that are used by you or your immediate family for residential purposes.

**Item B** — If you paid eligible school district property taxes on qualified agricultural property during 2005, or you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that paid eligible school district property taxes on qualified property during 2005, mark an **X** in the **Yes** box.

*Eligible school district property taxes* are real property taxes levied by a school district on qualified agricultural property **owned** by you. Qualified agricultural property you purchased under a land sales contract is considered owned by you if you are obligated under the land sales contract to pay the school district property taxes on the purchased property and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

Real property taxes levied by towns, villages, cities, or other municipal governments are not eligible taxes. Eligible taxes include taxes paid on qualified agricultural property which you own but rent to someone else. However, eligible taxes do not include taxes paid on qualified agricultural property that you rent from someone else, even if the rental agreement provides that you must actually pay the taxes.

Real property taxes levied by a school district include all property taxes, special ad valorem levies, and special assessments levied by a

school district. Also included are taxes levied by a school district for the support of local libraries. Penalties and interest are not included.

If you were a partner in a partnership, a shareholder of a New York S corporation, or the beneficiary of an estate or trust that owned qualified agricultural property during 2005, eligible taxes include your pro rata or distributive share of the taxes paid by the partnership, S corporation, or estate or trust for the year.

If you own both qualified agricultural property and nonqualified property, and you receive only one school tax bill for all the property, you must apportion the total school taxes paid between the qualified and nonqualified property based upon the value of the properties. Your local assessor may be able to tell you the value of your qualified and nonqualified property. If your assessor is unable to provide this information, you may use any other reasonable method, such as basing the value on the recent sale price of similar property in your area, to determine the value. In either case, you should keep records to substantiate how you allocated the taxes.

**Item C** — Complete Worksheet A below. In order to qualify for this credit, the amount shown on Worksheet A, line 3, must be less than \$150,000.

### Worksheet A

1. Enter your New York adjusted gross income from Form IT-201, line 33, Form IT-203, line 31, or Form IT-205, line B ..... 1. \_\_\_\_\_
2. Enter the amount of **principal** paid on farm indebtedness during 2005 (see instructions below) ..... 2. \_\_\_\_\_
3. Subtract line 2 from line 1. If less than \$150,000, mark an **X** in the **Yes** box in item C ..... 3. \_\_\_\_\_

*Farm indebtedness* means debt incurred or refinanced that is secured by farm property, when the proceeds of the debt are used for expenditures incurred in the business of farming. Debt, or that portion of the debt, that is secured by your principal residence does not qualify, even if the proceeds of the loan are used for farm expenditures.

Also include on line 2 your share of the amount of principal paid on farm indebtedness from your partnership, New York S corporation, or estate or trust.

For filing status <sup>3</sup>, *Married filing separate return*: if the debt is a joint obligation of you and your spouse, the amount of principal paid on farm indebtedness may be divided in any manner you wish.

**Item D** — Step 1: Complete Worksheet C on page 5 or Worksheet D on page 7, whichever is applicable. If the percentage shown on Worksheet C, line 26 or Worksheet D, line 26 is at least 0.6667 (66.67%), mark an **X** in the Yes box in Item D and continue with Item E. If the percentage shown is less than 0.6667 (66.67%), continue with Step 2.

Step 2: If the percentage shown in Step 1 is less than 0.6667 (66.67%), you may meet the eligibility requirement using your average federal gross income from farming for tax years 2003, 2004, and 2005. Complete lines 1 through 7 below to determine if you meet the eligibility requirement.

1. Enter the amount from your **2005** Worksheet C or Worksheet D, line 24, whichever is applicable..... 1. \_\_\_\_\_
2. Enter the amount from your **2004** Worksheet C or Worksheet D, line 24, whichever is applicable.\* .....2. \_\_\_\_\_
3. Enter the amount from your **2003** Worksheet C or Worksheet D, line 24, whichever is applicable.\*\* .....3. \_\_\_\_\_
4. Add lines 1, 2, and 3..... 4. \_\_\_\_\_
5. Divide line 4 by three ..... 5. \_\_\_\_\_
6. Enter the amount from your **2005** Worksheet C or Worksheet D, line 18, whichever is applicable..... 6. \_\_\_\_\_
7. Divide line 5 by line 6, and round the result to the fourth decimal place. If the percentage is at least 0.6667 (66.67%), mark an **X** in the Yes box in Item D and continue with Item E..... 7. \_\_\_\_\_

\* If you did not retain your 2004 Worksheet C or Worksheet D, whichever is applicable, complete Worksheet C-1 or Worksheet D-1 contained in these instructions, whichever is applicable, and enter the amount from line 6 on line 2 above. If you did not have any income from farming for tax year 2004, enter **0** on line 2 above.

\*\* If you did not retain your 2003 Worksheet C or Worksheet D, whichever is applicable, complete Worksheet C-2 or Worksheet D-2 contained in these instructions, whichever is applicable, and enter the amount from line 6 on line 3 above. If you did not have any income from farming for tax year 2003, enter **0** on line 3 above.

**Item E** — If you and one or more related persons each owned qualified agricultural property on March 1, 2005, mark an **X** in the box at Item E. Also be sure to read the instructions for Part 2, line 5.

A *related person* includes your spouse (unless you are filing a joint return), and any C corporation (a corporation that is not a New York S corporation) of which you (and your spouse, if filing a joint return) collectively own more than 50% of the stock. A *related person* also includes any estate or trust in which you (and your spouse, if filing a joint return) collectively own more than 50% of the beneficial interest.

The following are examples of related persons:

- *You owned qualified agricultural property individually on March 1, 2005. You also are a 75% shareholder in a C corporation that owned qualified agricultural property on March 1, 2005. You and the corporation are related persons.*
- *If an estate or trust (or the grantor of the trust) owns more than 50% of a C corporation, or the corporation owns more than 50% of the estate or trust, the estate or trust and the corporation are related persons.*
- *If an estate or trust (or grantor of the trust) owns more than 50% of another estate or trust, the first estate or trust and the second estate or trust are related persons.*
- *If the same person owns more than 50% of a C corporation and more than 50% of an estate or trust, the corporation and the estate or trust are related persons.*
- *If the same person owns more than 50% of more than one estate or trust, the estates and trusts are related persons.*

**Item F** — You cannot claim the farmers' school tax credit for qualified agricultural property which is converted to nonqualified use during the tax year. If only part of your qualified agricultural property is converted to nonqualified use during the tax year, you can claim a credit for the part of the property that is not converted. In addition, you may be subject to the recapture provision (see the instructions for Part 6 on page 4).

*Conversion to nonqualified use* means an outward or affirmative act changing the use of agricultural land. The idling, non-use, or sale of the land is not by itself a conversion.

**Example 1:** *You sell 100 acres of land to a developer in 2005. The developer actually builds a housing development on the land during 2005, and as a result the land is no longer used in agricultural production. This is a conversion to nonqualified use.*

**Example 2:** *You discontinue farming during 2005, but continue to hold the farm property for investment purposes. This is **not** a conversion to nonqualified use.*

**Example 3:** *You sell qualified agricultural property to another person who continues to use the property in agricultural production. This is **not** a conversion to nonqualified use.*

**Part 2 — Computation of credit**

**Line 1** — Enter the total **acres** of qualified agricultural property owned by you (and your spouse if filing a joint return) during 2005. Be sure to include the number of acres under buildings or structures that are qualified agricultural property.

For filing status ③, *Married filing separate return*: enter only the total acres of qualified property owned by you during 2005. If you and your spouse owned the qualified agricultural property jointly (such as joint tenants or tenants in common), each spouse can claim only one-half of the acreage amount unless you both agree to split the acreage in a different manner. If you both agree, you may split the acreage in any manner you wish.

If you marked the box at item F, do not include on line 1 the acres of property converted to nonqualified use.

**Line 5** — Complete Worksheet B. Then continue with the line 5 instructions below.

<b>Worksheet B</b>	
1. Initial base acreage.....	1. <u>250</u>
2. Enter the acres of qualified conservation property you owned in 2005* .....	2. _____
3. Total base acreage .....	3. _____
* <i>Qualified conservation property</i> is acreage that, during the tax year, is enrolled in or participating in a federal environmental conservation acreage reserve program under Title III of the Federal Agricultural Improvement and Reform Act of 1996.	
Also include on line 2 your share of the acres of qualified conservation property from your partnership, New York S corporation, or estate or trust.	
For filing status ③, <i>Married filing separate return</i> : enter only the total acres of qualified conservation property you owned in 2005. If you and your spouse owned the qualified conservation property jointly (such as joint tenants or tenants in common), each spouse can claim only one-half of the acreage amount unless you both agree to split the acreage in a different manner. If you both agree, you may split the acreage in any manner you wish.	

If you did not mark an **X** in box E in Part 1, enter the amount from Worksheet B, line 3, on line 5. If you did mark box E in Part 1, you must allocate the amount from line 3 among yourself and the other related parties. The total base acres must be divided equally between the parties unless you all agree to a different division. If you all agree, you may divide the total base acres in any manner you wish. If you elect an unequal division, you must attach a statement to Form IT-217 that provides the following information:

- the name, address, and taxpayer identification number of the related person(s); and
- the amount of base acreage allocated to you and the related person(s).

The statement must be signed by you and by the related person(s) or by any person who is duly authorized to act on behalf of the related person(s).

**Line 10** — Enter the eligible school taxes paid by you (and your spouse if filing a joint return) in 2005.

For filing status ③, *Married filing separate return*: enter only the eligible taxes paid on qualified agricultural property owned by you. If you and your spouse owned the qualified agricultural property jointly, you must divide the eligible taxes in the same manner as you divided the acres of qualified property (see the instructions for line 1).

If you marked the box at item F, do not include on line 10 the school taxes paid during the year on property that was converted to nonqualified use.

If you continue to own the property after the conversion to nonqualified use, and the converted property is included as part of your total tax bill, you may allocate the total taxes to the converted property on the basis of the amount of acreage converted to the total acreage covered by the tax bill.

If the converted property is sold, the closing documents will show the amount of school taxes reimbursed to you by the buyer. You must reduce your current year's eligible school taxes by the amount of these reimbursed taxes in determining the credit.

**Line 15** — If line 15 is more than \$100,000, your credit is limited.

### Part 3 — Partnership, S corporation, and estate or trust information

Enter the appropriate information for each partnership, New York S corporation, or estate or trust that owned qualified agricultural property. If you need more space, attach a separate schedule.

### Part 4 — Partner's, shareholder's, or beneficiary's share of qualified agricultural property and eligible taxes

Partners, shareholders, or beneficiaries must complete Part 4.

Enter your share of the acres of qualified agricultural property and eligible taxes from a partnership, New York S corporation, or estate or trust on the appropriate lines in Part 4. The partnership, corporation, or estate or trust should provide this information to you.

If you belong to more than one partnership, New York S corporation, or estate or trust, enter the total of all your shares on the appropriate line. Estates and trusts: Include on lines 5 and 6 only your share of acres of qualified agricultural property and eligible taxes from another estate or trust.

### Part 5 — Beneficiary's and fiduciary's share of acres of qualified agricultural property and eligible taxes

An estate or trust must complete Part 5.

**Columns C and D** — Include in line 1 both (1) the acres of qualified property owned by the estate or trust and the eligible taxes paid by the estate or trust, and (2) the estate's or

trust's share of each item from Part 4, line 7. If you marked the box at item F, do not include the acres of property converted or the taxes paid on that property.

**Column E** — Include in line 1 the acres of qualified agricultural property which were converted to nonqualified use in 2005. See Part 6 below. The converted acreage includes both (1) the acres of qualified agricultural property converted by the estate or trust and (2) the estate's or trust's share of acres of qualified agricultural property converted by a partnership, New York S corporation, or another estate or trust (obtain the estate's or trust's share of these amounts from the partnership, S corporation, or estate or trust).

The total acres of qualified agricultural property, total eligible taxes, and total acres of qualified agricultural property converted to nonqualified use are allocated between the estate or trust and its beneficiaries on the same basis as the income of the estate or trust is allocated.

### Part 6 — Credit recapture on qualified agricultural property converted to nonqualified use

#### General information

If all of your qualified agricultural property is converted to nonqualified use (see the instructions for Item F on page 3) before the end of the second tax year following the year in which you first claimed a credit, the entire credit you claimed on the converted property in the two previous years must be added back in the year of the conversion. If only a portion of the qualified agricultural property is converted to nonqualified use, a proportionate share of the credit claimed must be added back.

**Example 1:** A farmer first claims the credit for tax year 2004. On August 1, 2005, all the farmer's qualified agricultural property is converted to nonqualified use. In this instance, no credit will be allowed for 2005, and the entire amount of the credit claimed for 2004 must be added back in 2005.

**Example 2:** A farmer first claims the credit for tax year 2002. The credit is claimed on 100 acres of qualified agricultural property. In 2003 the farmer purchases an additional 100 acres of qualified agricultural property and claims the credit for 2003 on the total 200 acres of qualified agricultural property. On June 1, 2005, the entire property is converted to nonqualified use. In this instance, no credit is allowed for the year 2005. However, since the conversion takes place after the end of the second year following the year in which the credit was first claimed (2002), the farmer is not required to add back the credit claimed in 2002, 2003, or 2004. This is so even though 100 acres of the converted property were not purchased until 2003, and the credit on that portion of the converted property was first claimed in 2003.

**Example 3:** A farmer first claims the credit for tax year 2004. The credit is based on 500 acres of qualified agricultural property owned by the farmer. On September 1, 2005, 100 acres of that property is converted to nonqualified use. In this instance, a credit will be allowed for 2005 based on the 400 acres

of qualified agricultural property not converted to nonqualified use, and one-fifth (100/500) of the credit claimed in 2004 must be added back in 2005.

#### Column instructions

**Column A Individuals** — Enter the total acres of qualified agricultural property converted to nonqualified use in 2005. Also include your share of acres of qualified agricultural property converted to nonqualified use from your partnership, New York S corporation, or estate or trust (this information should be provided to you by the partnership, New York S corporation, or estate or trust).

**Column A Fiduciaries** — Enter the fiduciary's share of acres of qualified agricultural property converted to nonqualified use from Part 5, column E, line 4.

**Column B** — Enter the total acres of qualified agricultural property which you owned immediately prior to the conversion (including your share of property owned by your partnership, New York S corporation, or estate or trust).

**Column D** — Enter the total farmers' school tax credit claimed in 2003 and 2004 (from 2003 and 2004 Form IT-217, line 19).

#### Column E

- **Individuals** — Enter the line E amount and code 217 on Form IT-201-ATT, line 20, or Form IT-203-ATT, line 19.
- **Fiduciaries** — Include the line E amount on Form IT-205, line 12.

(continued)

**Worksheet C Individuals — 2005 Farming Gross Income**  
**(Form IT-201 and IT-203 filers: Complete this worksheet and keep for your records.)**

1. Add the income (not loss) amounts on federal Form 1040, lines 7, 8a, 9a, 10, 11, 15b, 16b, 19, 20b, and 21 (see instructions below) .....	1. _____
2. Enter the income (not loss) from federal Schedule C, line 7 .....	2. _____
3. Enter the amount from federal Schedule C-EZ, line 1 .....	3. _____
4. Add the gain (not loss) amounts on federal Schedule D, column (f), lines 1, 2, 4, 8, 9, 11, and 13 (see instructions) .....	4. _____
5. Enter the amount of capital gain from federal Form 1040, line 13, if you were not required to file federal Schedule D and have no entry on line 4 .....	5. _____
6. Add the amounts on federal Schedule E, lines 3, 4, 37, and 39 .....	6. _____
7. Enter the income (not loss) from federal Schedule F, line 11 .....	7. _____
8. Add the gain (not loss) amounts on federal Form 4797, column (g), lines 2 through 6, 10, and 13 through 16 (see instructions) .....	8. _____
9. Enter amount from federal Form 4835, line 7 .....	9. _____
10. Enter the code B and C amounts shown in box 14 on federal Schedule K-1 (Form 1065), less any partnership items included in lines 1 through 7 above (If your partnership files federal Form 1065-B, see instructions.) .....	10. _____
11. Enter your share of S corporation gross income (see instructions) .....	11. _____
12. Add lines 1 through 11 .....	12. _____
13. Add the amounts on federal Form 1040, lines 7, 8a, 9a, 15b, 16b, and 20b .....	13. _____
14. Add the amounts from lines 2, 3, and 7 above .....	14. _____
15. Certain partnership gross income (see instructions) .....	15. _____
16. Add lines 13, 14, and 15 .....	16. _____
17. Enter the lesser of line 16 or \$30,000 .....	17. _____
18. Subtract line 17 from line 12 (if line 17 is greater than line 12, enter 0) .....	18. _____
19. Enter the amount from line 7 above .....	19. _____
20. Enter the amount from federal Schedule E, line 42 (see instructions) .....	20. _____
21. Add the amounts on federal Form 4797, column (g) that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes (see instructions) .....	21. _____
22. Enter the amount from lines 2 and 3 above if these amounts represent gross income from the production of maple syrup or cider or gross income from the sale of wine (see instructions) .....	22. _____
23. Enter your share of gross income from the production of maple syrup or cider or gross income from the sale of wine from a partnership, S corporation, or estate or trust (see instructions) .....	23. _____
24. Add lines 19 through 23 .....	24. _____
25. Enter amount from line 18 above .....	25. _____
26. Divide line 24 by line 25, and round the result to the fourth decimal place (see instructions) .....	26. _____

### Instructions for Worksheet C

**Line 1** — If federal Form 1040, line 21, includes both income and loss items, include only the income amounts on line 1. For example, on federal Form 1040, line 21, you report gambling winnings of \$2,000 and a net operating loss carryover of (\$3,000), for a net amount of (\$1,000). In computing the amount on line 1 of the worksheet, include only the gambling winnings of \$2,000.

**Line 4** — Include on line 4 only gains used in figuring the amounts reported in column (f) of federal Schedule D. Loss transactions cannot be netted against gain transactions. For example, on federal Schedule D-1, column (f), you include a gain of \$200 for one transaction and a loss of \$300 for another transaction, for a net loss of \$100 which you include on federal Schedule D, line 2, column (f). Include on line 4 only the gain of \$200. However, do not include on line 4 any gain from federal Form 4797 reported on line 11, column (f) of federal Schedule D.

**Line 8** — Include on line 8 only gains used in figuring the amounts entered in column (g) of

federal Form 4797. Loss transactions cannot be netted against gain transactions.

**Line 10** — If your partnership files federal Form 1065-B, include on line 10 the amount reported on your federal Schedule K-1 (Form 1065-B), in box 9 under the code K2 (less any partnership items included in lines 1-8 of Worksheet C).

**Line 11** — The S corporation should provide this information to you. Do not include on line 11 any S corporation income included in lines 1-8.

**Line 15** — If you were a partner in a partnership and your federal Schedule K-1 shows any amount (including a loss) in box 14 under the code A, enter the sum of the code B and C amounts shown in box 14. If you were a partner in a partnership that files federal Form 1065-B, enter the amount reported on line 10 above attributable to that partnership.

**Line 20** — Do not include on line 20 gross income from fishing included in federal Schedule E, line 42.

**Line 21** — Include on line 21 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.

**Line 22** — Include on line 22 only the amounts from lines 2 and 3 that represent gross income (gross receipts less cost of goods sold) from the production of maple syrup (including maple syrup related products) or cider or gross income from the sale of wine from a licensed farm winery. Do not include gross income reported on lines 2 and 3 that are from other types of businesses or products.

**Line 23** — The partnership, S corporation, or estate or trust should provide this information to you.

**Line 26** — If the line 25 amount is 0, and you have an amount (other than 0) on line 24, enter 1.00 (100%) on line 26.

**Worksheet C-1 Individuals  
2004 Farming Gross Income**

Form IT-201 and IT-203 filers: Complete lines 1 through 6 using your amounts from the applicable 2004 federal forms; keep for your records.

1. Enter the income (not loss) from federal Schedule F, line 11 ..... **1.** \_\_\_\_\_
2. Enter the amount from federal Schedule E, line 42  
(see instructions) ..... **2.** \_\_\_\_\_
3. Add the amounts on federal Form 4797, column (g) that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes  
(see instructions) ..... **3.** \_\_\_\_\_
4. Enter the income (not loss) from federal Schedule C, line 7 or the amount from federal Schedule C-EZ, line 1, if these amounts represent gross income from the production of maple syrup or cider or gross income from the sale of wine (see instructions) .... **4.** \_\_\_\_\_
5. Enter your share of gross income from the production of maple syrup or cider or gross income from the sale of wine from a partnership, S corporation, or estate or trust  
(see instructions) ..... **5.** \_\_\_\_\_
6. Add lines 1 through 5 .. **6.** \_\_\_\_\_

**Worksheet C-2 Individuals  
2003 Farming Gross Income**

Form IT-201 and IT-203 filers: Complete lines 1 through 6 using your amounts from the applicable 2003 federal forms; keep for your records.

1. Enter the income (not loss) from federal Schedule F, line 11 ..... **1.** \_\_\_\_\_
2. Enter the amount from federal Schedule E, line 42  
(see instructions) ..... **2.** \_\_\_\_\_
3. Add the amounts on federal Form 4797, column (g) that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes  
(see instructions) ..... **3.** \_\_\_\_\_
4. Enter the income (not loss) from federal Schedule C, line 7 or the amount from federal Schedule C-EZ, line 1, if these amounts represent gross income from the production of maple syrup or cider or gross income from the sale of wine (see instructions) .... **4.** \_\_\_\_\_
5. Enter your share of gross income from the production of maple syrup or cider or gross income from the sale of wine from a partnership, S corporation, or estate or trust  
(see instructions) ..... **5.** \_\_\_\_\_
6. Add lines 1 through 5 .. **6.** \_\_\_\_\_

**Instructions for Worksheet C-1**

**Line 2** — Do not include on line 2 gross income from fishing included in federal Schedule E, line 42.

**Line 3** — Include on line 3 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.

**Line 4** — Include on line 4 only the amounts from federal Schedule C, or federal Schedule C-EZ that represent gross income (gross receipts less cost of goods sold) from the production of maple syrup (including maple syrup related products) or cider or gross income from the sale of wine from a licensed farm winery. Do not include gross income reported on federal Schedule C, or federal Schedule C-EZ that is from other types of businesses or products.

**Line 5** — The partnership, S corporation, or estate or trust should provide this information to you.

**Instructions for Worksheet C-2**

**Line 2** — Do not include on line 2 gross income from fishing included in federal Schedule E, line 42.

**Line 3** — Include on line 3 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.

**Line 4** — Include on line 4 only the amounts from federal Schedule C, or federal Schedule C-EZ that represent gross income (gross receipts less cost of goods sold) from the production of maple syrup (including maple syrup related products) or cider or gross income from the sale of wine from a licensed farm winery. Do not include gross income reported on federal Schedule C, or federal Schedule C-EZ that are from other types of businesses or products.

**Line 5** — The partnership, S corporation, or estate or trust should provide this information to you.

**Worksheet D Estates, Trusts — 2005 Farming Gross Income**  
**(Form IT-205 filers: Complete this worksheet and keep for your records.)**

1. Add the income (not loss) amounts on federal Form 1041, lines 1, 2a, and 8 .....	1.	_____
2. Enter the income (not loss) from federal Schedule C, line 7 .....	2.	_____
3. Enter the amount from federal Schedule C-EZ, line 1 .....	3.	_____
4. Add the gain (not loss) amounts on federal Schedule D (Form 1041), lines 1, 2, 6, 7, and 9 (see instructions below) .....	4.	_____
5. Add the amounts on federal Schedule E, lines 3, 4, 37, and 39 .....	5.	_____
6. Enter the income (not loss) amount on federal Schedule F, line 11 .....	6.	_____
7. Add the gain (not loss) amounts on federal Form 4797, column (g), lines 2 through 6, 10, and 13 through 16 (see instructions) .....	7.	_____
8. Enter amount from federal Form 4835, line 7 .....	8.	_____
9. Enter the code B and C amounts shown in box 14 on federal Schedule K-1 (Form 1065), less any partnership items included in lines 1 through 7 above (If your partnership files federal Form 1065-B, see instructions.) .....	9.	_____
10. Enter the estate's or trust's share of S corporation gross income (see instructions) .....	10.	_____
11. Add lines 1 through 10 .....	11.	_____
12. Add the income amounts on federal Form 1041, lines 1 and 2a .....	12.	_____
13. Enter the amount of any pension payments included on federal Form 1041, line 8 .....	13.	_____
14. Add the amounts from lines 2, 3, and 6 above .....	14.	_____
15. Certain partnership gross income (see instructions) .....	15.	_____
16. Add lines 12, 13, 14, and 15 .....	16.	_____
17. Enter the lesser of line 16 or \$30,000 .....	17.	_____
18. Subtract line 17 from line 11 (if line 17 is greater than line 11, enter 0) .....	18.	_____
19. Enter the amount from line 6 above .....	19.	_____
20. Enter the amount from federal Schedule E, line 42 (see instructions) .....	20.	_____
21. Add the amounts on federal Form 4797, column (g) that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes (see instructions) .....	21.	_____
22. Enter the amount from lines 2 and 3 above if these amounts represent gross income from the production of maple syrup or cider or gross income from the sale of wine (see instructions) .....	22.	_____
23. Enter the estate's or trust's share of gross income from the production of maple syrup or cider or gross income from the sale of wine from a partnership, S corporation, or estate or trust (see instructions) .....	23.	_____
24. Add lines 19 through 23 .....	24.	_____
25. Enter amount from line 18 above .....	25.	_____
26. Divide line 24 by line 25, and round the result to the fourth decimal place (see instructions) .....	26.	_____

### Instructions for Worksheet D

**Line 4** — Include on line 4 only gains used in figuring the amounts reported in column (f) of federal Schedule D. Loss transactions cannot be netted against gain transactions.

**Line 7** — Include on line 7 only gains used in figuring the amounts entered in column (g) of federal Form 4797. Loss transactions cannot be netted against gain transactions.

**Line 9** — If your partnership files federal Form 1065-B, include on line 9 the amount reported on your federal Schedule K-1 (Form 1065-B), in box 9 under the code K2 (less any partnership items included in lines 1-7 of Worksheet D).

**Line 10** — The S corporation should provide this information to you. Do not include on line 10 any S corporation income included in lines 1-7.

**Line 15** — If you were a partner in a partnership and your federal Schedule K-1 shows any amount (including a loss) in box 14 under the code A, enter the sum of the code B and C amounts shown in box 14. If you were a partner in a partnership that files federal Form 1065-B, enter the amount reported on line 9 above attributable to that partnership.

**Line 20** — Do not include on line 20 any gross income from fishing included in federal Schedule E, line 42.

**Line 21** — Include on line 21 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.

**Line 22** — Include on line 22 only the amounts from lines 2 and 3 that represent gross income (gross receipts less cost of goods sold) from the production of maple syrup (including maple syrup related products) or cider or gross income from the sale of wine from a licensed farm winery. Do not include gross income reported on lines 2 and 3 that are from other types of businesses or products.

**Line 23** — The partnership, S corporation, or estate or trust should provide this information to you.

**Line 26** — If the line 25 amount is 0, and you have an amount (other than 0) on line 24, enter 1.00 (100%) on line 26.

(continued)

**Worksheet D-1 Estates and Trusts  
2004 Farming Gross Income**

Form IT-205 filers: Complete lines 1 through 6 using your amounts from the applicable 2004 federal forms; keep for your records.

1. Enter the income (not loss) from federal Schedule F, line 11 ..... **1.** \_\_\_\_\_
2. Enter the amount from federal Schedule E, line 42  
(see instructions) ..... **2.** \_\_\_\_\_
3. Add the amounts on federal Form 4797, column (g) that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes  
(see instructions) ..... **3.** \_\_\_\_\_
4. Enter the income (not loss) from federal Schedule C, line 7 or the amount from federal Schedule C-EZ, line 1, if these amounts represent gross income from the production of maple syrup or cider or gross income from the sale of wine (see instructions) .... **4.** \_\_\_\_\_
5. Enter the estate's or trust's share of gross income from the production of maple syrup or cider or gross income from the sale of wine from a partnership, S corporation, or estate or trust  
(see instructions) ..... **5.** \_\_\_\_\_
6. Add lines 1 through 5 .. **6.** \_\_\_\_\_

**Worksheet D-2 Estates and Trusts  
2003 Farming Gross Income**

Form IT-205 filers: Complete lines 1 through 6 using your amounts from the applicable 2003 federal forms; keep for your records.

1. Enter the income (not loss) from federal Schedule F, line 11 ..... **1.** \_\_\_\_\_
2. Enter the amount from federal Schedule E, line 42  
(see instructions) ..... **2.** \_\_\_\_\_
3. Add the amounts on federal Form 4797, column (g) that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes  
(see instructions) ..... **3.** \_\_\_\_\_
4. Enter the income (not loss) from federal Schedule C, line 7 or the amount from federal Schedule C-EZ, line 1, if these amounts represent gross income from the production of maple syrup or cider or gross income from the sale of wine (see instructions) .... **4.** \_\_\_\_\_
5. Enter the estate's or trust's share of gross income from the production of maple syrup or cider or gross income from the sale of wine from a partnership, S corporation, or estate or trust  
(see instructions) ..... **5.** \_\_\_\_\_
6. Add lines 1 through 5 .. **6.** \_\_\_\_\_

**Instructions for Worksheet D-1**

**Line 2** — Do not include on line 2 gross income from fishing included in federal Schedule E, line 42.

**Line 3** — Include on line 3 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.

**Line 4** — Include on line 4 only the amounts from federal Schedule C, or federal Schedule C-EZ that represent gross income (gross receipts less cost of goods sold) from the production of maple syrup (including maple syrup related products) or cider or gross income from the sale of wine from a licensed farm winery. Do not include gross income reported on federal Schedule C, or federal Schedule C-EZ that is from other types of businesses or products.

**Line 5** — The partnership, S corporation, or estate or trust should provide this information to you.

**Instructions for Worksheet D-2**

**Line 2** — Do not include on line 2 gross income from fishing included in federal Schedule E, line 42.

**Line 3** — Include on line 3 only gains (not losses) reported on federal Form 4797 that represent gains from the sale of livestock used for draft, breeding, sport, or dairy purposes. Do not include any other gains or losses reported on federal Form 4797 (such as gains from the sale of farm machinery), even though these gains may be related to your farming business.

**Line 4** — Include on line 4 only the amounts from federal Schedule C, or federal Schedule C-EZ that represent gross income (gross receipts less cost of goods sold) from the production of maple syrup (including maple syrup related products) or cider or gross income from the sale of wine from a licensed farm winery. Do not include gross income reported on federal Schedule C, or federal Schedule C-EZ that is from other types of businesses or products.

**Line 5** — The partnership, S corporation, or estate or trust should provide this information to you.