Who must file this form

General business corporations (Article 9-A) that claimed the optional depreciation under Tax Law sections 210.3(d) and 210.3(e) on certain qualified property acquired from January 1, 1964, through December 31, 1968, must file Form CT-324 and calculate their federal and New York State gain or loss on such property. Any federal gain or loss used in computing federal taxable income is disregarded in computing entire net income (ENI). Therefore, any federal gain on the sale or other disposition of qualified property must be deducted from ENI, and any federal loss on the sale or other disposition of qualified property must be added to ENI.

Optional depreciation deduction under Tax Law section 210.3(d)

The taxpayer may elect to deduct from allocated income up to double the amount of federal depreciation on qualified property, provided that ENI is computed without any federal depreciation for the same property. (See definition of qualified property under section 210.3 (d) below.) If the qualified property is used or to be used for research and development in the experimental or laboratory sense, the taxpayer may elect to deduct the total amount of the expenditures paid or incurred in the tax year, provided that ENI is computed without the deduction of any such expenditures and without any depreciation deduction for the same property for the tax year and the following tax year(s). The total of all optional depreciation deductions allowed in any tax year(s) may not exceed the cost or other basis of the property.

Qualified property is tangible property that is depreciable under Internal Revenue Code (IRC) section 167, used in the taxpayer’s trade or business, located in New York State, and:

• was constructed, reconstructed, or erected after December 31, 1963, pursuant to a contract that was (on or before December 31, 1967, and at all times thereafter) binding on the taxpayer; or property whose physical construction, reconstruction, or erection began on or before December 31, 1967 (or began after that date pursuant to an order placed on or before that date), and then only for that portion of the basis thereof or the expenditures relating thereto that is properly attributable to such construction, reconstruction, or erection after December 31, 1963; or

• was acquired after December 31, 1963, pursuant to a contract that was (on or before December 31, 1967, and at all times thereafter) binding on the taxpayer, or was acquired pursuant to an order placed on or before December 31, 1967, by purchase as defined in IRC section 179(d), if the original use of such property commenced with the taxpayer, commenced in this state, and commenced after December 31, 1963; or

• was acquired, constructed, reconstructed, or erected after December 31, 1967, if such acquisition, construction, reconstruction, or erection is pursuant to a plan of the taxpayer that was in existence on December 31, 1967, and not thereafter substantially modified, and such acquisition, construction, reconstruction, or erection would qualify under the rules in IRC section 48(h), paragraph (4) through (6), provided that all references to October 9, 1966, and October 10, 1966, will be read as December 31, 1967.

Optional depreciation deduction under Tax Law section 210.3(e)

The taxpayer may elect to deduct from allocated income up to double the amount of federal depreciation on qualified property, provided that ENI is computed without any federal depreciation for the same property. (See definition of qualified property under section 210.3 (e) below.) If the qualified property is used or to be used for research and development in the experimental or laboratory sense, the taxpayer may elect to deduct the total amount of the expenditures paid or incurred in the tax year, provided that ENI is computed without the deduction of any such expenditures and without any depreciation deduction for the same property for the tax year and the following tax year(s). The total of all optional depreciation deductions allowed in any tax year(s) may not exceed the cost or other basis of the property multiplied by the taxpayer’s business allocation percentage for the first year the taxpayer deducts such depreciation.

Qualified property is tangible property that is depreciable under IRC section 167, located in New York State, principally used by the taxpayer in producing goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, and:

• was constructed, reconstructed, or erected after December 31, 1967, pursuant to a contract that was (on or before December 31, 1968, and at all times thereafter) binding on the taxpayer; or property whose physical construction, reconstruction, or erection began on or before December 31, 1968 (or began after that date pursuant to an order placed on or before that date), and then only for that portion of the basis thereof or the expenditures relating thereto that is properly attributable to such construction, reconstruction, or erection after December 31, 1963; or

• was acquired after December 31, 1967, pursuant to a contract that was (on or before December 31, 1968, and at all times thereafter) binding on the taxpayer, or was acquired pursuant to an order placed on or before December 31, 1968, by purchase as defined in IRC section 179 (d), if the original use of such property commenced with the taxpayer, commenced in this state, and commenced after December 31, 1967; or

• was acquired, constructed, reconstructed, or erected after December 31, 1968, if such acquisition, construction, reconstruction, or erection is pursuant to a plan of the taxpayer that was in existence on December 31, 1968, and not thereafter substantially modified, and such acquisition, construction, reconstruction, or erection would qualify under the rules in IRC section 48(h), paragraphs (4) through (6), provided that all references to October 9, 1966, and October 10, 1966, will be read as December 31, 1968.

A taxpayer is allowed a deduction only if the tangible property was delivered, or the construction, reconstruction, or erection was completed, on or before December 31, 1970, except in the case of tangible property that is acquired, constructed, reconstructed, or erected pursuant to a contract that was (on or before December 31, 1967, and at all times thereafter) binding on the taxpayer.

Manufacturing is the process of working raw materials into wares suitable for use, or giving new shapes, new qualities, or new combinations to matter that already has gone through some artificial process by the use of machinery, tools, appliances, and other similar equipment.

Property used in the production of goods includes machinery, equipment, or other tangible property principally used in the repair and service of other machinery, equipment, or other tangible property used principally in the production of goods and includes all...
facilities used in the manufacturing operation, including storage of materials to be used in manufacturing and of the products that are manufactured.

Research and development property is used for research and development in the experimental or laboratory sense, but not for the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or for research in connection with literary, historical, or similar projects.

Optional depreciation deduction under Tax Law sections 210.3(d) and 210.3(e)
For tax years beginning on or after January 1, 1968, the optional depreciation deduction is not allowed on tangible personal property leased by the taxpayer to any other corporation or person. Any contract or agreement to lease or rent, or for a license to use such property, is considered a lease. If the taxpayer uses property itself for purposes other than leasing for part of a tax year, the taxpayer is allowed a deduction in proportion to the part of the tax year it uses such property.

Schedule A – Depreciation on qualified New York property acquired between January 1, 1964, and December 31, 1968
Column C — Enter the cost or other basis used for federal income tax purposes.

Column D — Enter the total amount of federal depreciation deduction taken in prior years for each item listed.

Column E — Enter the federal depreciation deductions taken this year for each item listed.

Column F — Enter the total amount of New York State depreciation deduction taken in prior years for each item listed.

Column G — Enter the New York State depreciation deductions taken this year for each item listed.

Line 1 — Add amounts in column E and include the total on the Other additions line of Form CT-3, CT-3-A, or CT-3-A/B.

Line 2 — Add amounts in column G and include the total on the Optional depreciation adjustments line of Form CT-3, CT-3-A, or CT-3-A/B.

Schedule B – Computation of New York gain or loss on sale or other disposition of qualified New York property acquired between January 1, 1964, and December 31, 1968
Column C — Enter the cost or other basis used for federal income tax purposes, less any optional depreciation deductions claimed on this property.

The total of all optional depreciation deductions allowed under Tax Law section 210.3(d) may not exceed the cost or other basis of the property. The total of all optional depreciation deductions allowed under Tax Law section 210.3(e) may not exceed the cost or other basis of the property multiplied by the taxpayer’s business allocation percentage for the first year the taxpayer deducts such depreciation.

Column D — Enter the gross sales price on the sale of the property used for federal income tax purposes.

Column E — Subtract amount in column C from amount in column D. No loss is recognized for a sale or other disposition of the property if the acquisition of the property is not a purchase as defined under IRC section 179(d).

Column F — Enter the amount of gain or loss computed for federal income tax purposes.

Line 3 — Add amounts in column E and include the total on the Optional depreciation adjustments line of Form CT-3, CT-3-A, or CT-3-A/B. Show a net loss with a minus (-) sign.

Line 4 — Add amounts in column F. Add any federal loss and deduct any federal gain when calculating ENI. Include the total federal loss on the Other additions line of Form CT-3, CT-3-A, or CT-3-A/B. Include the total federal gain on the Other subtractions line of Form CT-3, CT-3-A, or CT-3-A/B.

Need help? and Privacy notification
See Form CT-1, Supplement to Corporation Tax Instructions.