New York State Department of Taxation and Finance

2014

Instructions for Forms CT-4, CT-3, and CT-3-ATT General Business Corporation Franchise Tax Returns

CT-3/4-I

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Form CT-1, *Supplement to Corporation Tax Instructions*

See Form CT-1 for the following topics:

- Changes for the current tax year (general and by Tax Law Article)
- Business information (how to enter and update)
- Entry formats
  - Dates
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  - Percentages
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- Are you claiming an overpayment?
- NAICS business code number and NYS principal business activity
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Who must file

Domestic corporations — A domestic corporation (incorporated in New York State) is generally liable for franchise taxes for each fiscal or calendar year, or part thereof, during which it is incorporated until it is formally dissolved with the Department of State (*www.dos.ny.gov*). However, a domestic corporation that is no longer doing business, employing capital, or owning or leasing property in New York State is exempt from the fixed dollar minimum tax for years following its final tax year and is no longer required to file a franchise tax return provided it meets the requirements listed in TSB-M-06(5)C, *Certain Domestic Business Corporations Exempt from the Article 9-A Fixed Dollar Minimum Tax*.

Foreign corporations — A foreign corporation (incorporated outside of New York State) is liable for franchise taxes during the period in which it is doing business, employing capital, owning or leasing property, or maintaining an office in New York State. In addition, a foreign corporation authorized to do business in New York State is also liable for payment of its annual maintenance fee, until such time as it surrenders to the Department of State its authority to do business, regardless of whether it is doing business, employing capital, owning or leasing property, or maintaining an office in the state. However, corporations that are accepted to locate in a tax-free NY area and are located exclusively within the state in a tax-free NY area approved pursuant to Economic Development Law (EDL) Article 21, provided that the corporation satisfied the requirements in Tax Law, Article 1, section 39(a), are **not** required to pay an annual maintenance fee. (For more information on the START-UP NY program, see TSB-M-13(7)C, *SUNY Tax-Free Areas to Revitalize and Transform Upstate New York Program*.)

All general business corporations other than New York S corporations must file franchise tax returns using either Form CT-3 or CT-4. This includes both domestic corporations and foreign corporations that do business, employ capital, own or lease property, or maintain an office in New York State. A general business corporation that has elected to be treated as an S corporation by filing Form CT-6, *Election by a Federal S Corporation to be Treated As a New York S Corporation,* must file Form CT-3-S, *New York S Corporation Franchise Tax Return,* instead of Form CT-3 or CT-4.

Mandated New York S corporations — Shareholders of eligible federal S corporations that have not made the election to be treated as a New York S corporation for the current tax year will be deemed to have made that election and must file Form CT-3-S if the corporation's investment income is more than 50% of its federal gross income for that year. For purposes of the mandated New York State S election, *investment income* means the sum of an eligible S corporation's gross income from interest, dividends, royalties, annuities, rents and gains derived from dealings in property, including the corporation's share of such items from a partnership, estate, or trust, to the extent such items would be includable in the corporation's federal gross income for the tax year. This provision does not apply to S corporations subject to tax under Tax Law Article 32 (Franchise Tax on Banking Corporations).

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

A general business corporation includes all corporations **except:**

— banking corporations (Article 32);

— insurance corporations (including for-profit HMOs required to obtain a certificate of authority under Article 44 of the Public Health Law) (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) that 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, see New York Codes, Rules, and Regulations (NYCRR), Title 20, section 1-3.2(a)(6)(i).

Transitional provisions for the Gramm-Leach-Bliley (GLB) Act — Under the federal GLB Act, an entity was created called a *financial holding company* (FHC) that can own banks, insurance companies, and securities firms. As a result of the GLB Act, the Tax Law was amended in 2000 to allow certain corporations that were taxed under Article 9-A or Article 32 in 1999 to retain their tax status in 2000. These transitional provisions were extended so they now expire for tax years beginning on or after January 1, 2015. The GLB provisions do not preclude taxpayers that made the one time election to remain taxable under Article 9-A, pursuant to Article 32 section 1452(d) (the grandfather election), from revoking that election.

Revocation of Article 9-A status — Pursuant to Tax Law section 1452(d), a corporation 65% or more owned by a bank or a bank holding company as described in Tax Law section 1452(a)(9) that was subject to tax under Article 9-A for its tax year ending in 1984, was allowed in 1985 to make a one-time grandfather election to continue to be taxable under Article 9-A. This election remains in effect until revoked by the taxpayer. In no event can the revocation of the election be for part of the tax year. The revocation is made by the filing of a tax return under Tax Law Article 32. However, if any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to the electing corporation, the election will be deemed revoked as of the first day of the tax year in which the condition applied.

If any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to a corporation required to be taxable under Article 9-A pursuant to the GLB provisions of Tax Law section 1452, then such corporation, if it otherwise meets the requirements of Tax Law section 1452(a), will be taxable under Article 32 as of the first day of the tax year in which the condition applied.

If any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to a corporation that has made the election to be taxable under Article 9-A pursuant to the GLB provisions of Tax Law section 1452, then the electing corporation will be deemed to have revoked the election as of the first day of the tax year in which the condition applied.

Conditions

- The corporation ceases to be a taxpayer under Article 9-A.
- The corporation has no wages or receipts allocable to New York State pursuant to Tax Law, Article 9-A, section 210.3, or is otherwise inactive. However, this condition does not apply to a corporation that is engaged in the active conduct of a trade or business, or substantially all of the assets of which are stock and securities of corporations that are directly or indirectly controlled by it and are engaged in the active conduct of a trade or business.
- 65% or more of the voting stock of the corporation becomes owned or controlled directly by a corporation that acquired the stock in a transaction (or series of related transactions) that qualifies as a purchase within the meaning of IRC section 338(h)(3), unless both corporations, immediately prior to the purchase, were members of the same affiliated group (as such term is defined in IRC section 1504 without regard to the exclusions provided for in 1504(b)). However, any acquisition that was completed on or before January 3, 2007, shall be treated as a new acquisition made before January 1, 2007.
- The corporation, in a transaction or series of related transactions, acquires assets, whether by contribution, purchase, or otherwise, having an average value as determined in accordance with Tax Law section 210.2 (or, if greater, a total tax basis) in excess of 40% of the average value (or, if greater, the total tax basis) of all assets of the corporation immediately prior to the acquisition and, as a result of the acquisition, the corporation is principally engaged in a business that is different from the business immediately prior to the acquisition (provided that such different business is described in Tax Law section 1452(a)(9)(i), (ii), or (iii)).

Which form to file

Most general corporations file either Form CT-4 or CT-3. Taxpayers who have filed Form CT-3 in the past should review the filing constraints to determine whether they are now eligible to file the short form (Form CT-4).

You may use Form CT-4 if the following conditions exist:

— your property (owned or leased), employees, and business activities are entirely in New York State; **and**

— you do not claim tax credits; **and**

— you have no federal adjustment or tax preference items other than depreciation that would be used to compute the minimum taxable income (MTI) base.

You may use Form CT-4 even if:

— you claim a net operating loss deduction (NOLD) or an alternative net operating loss deduction (ANOLD); or

— you claim the exemption from the tax on business and investment capital available to new small businesses.

You must use Form CT-3 if **any** of the following conditions exist:

— You claim a deduction for optional depreciation.

— You claim any tax credits.

— You are a real estate investment trust (REIT), a real estate investment company (RIC), a taxable domestic international sales corporation (DISC), or a stockholder in a DISC.

— You were involved in a merger, acquisition, or consolidation during the current tax year.

— You have business income or capital attributable to sources outside New York State, and you want to allocate this income and capital.

— You have investment income or capital.

— You have a subsidiary (another corporation of which you own more than 50% of its voting stock).

— You have federal adjustments (other than the depreciation adjustment or the ANOLD) or tax preference items used to compute MTI.

— You are required to make an addition on Form CT-3, line 8. For a listing of these additions, see Form CT-225-I, *Instructions for Form CT-225*.

— You have a subtraction on Form CT-3, line 15, other than the subtractions allowed on Form CT-4, line 10. For a listing of these subtractions, see Form CT-225-I.

— You are a corporation that is principally engaged in aviation.

— You are a qualified public utility, a transferee, a qualified power producer, or a qualified pipeline corporation.

Foreign corporations authorized to do business but disclaiming tax liability

Form CT-245, *Maintenance Fee and Activities Return for a Foreign Corporation Disclaiming Tax Liability.* A foreign corporation authorized to do business in New York State but disclaiming tax liability must file this form. The annual maintenance fee is $300, unless you file a short period return, which may reduce your maintenance fee to less than $300. However, corporations that are accepted to locate in a tax-free NY area and are located exclusively within the state in a tax-free NY area approved pursuant to EDL Article 21, provided that the corporation satisfied the requirements in Tax Law, Article 1, section 39(a), are not required to pay an annual maintenance fee. (For more information on the START-UP NY program, see TSB-M-13(7)C.)

If you are disclaiming tax liability, you do not have to file Form CT-3 or CT-4. 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.

Other forms you may need to file

Form CT-3-B, *Tax Exempt Domestic International Sales Corporation (DISC) Information Return.* A tax-exempt DISC must file this form on or before the 15th day of the ninth month after the end of the tax year.

Form CT-3-C, *Consolidated Franchise Tax Return.* Stockholders of tax-exempt DISCs must file an individual return on Form CT-3 and a consolidated return with the DISC on Form CT-3-C.

Tax-exempt DISCs — A corporation that qualifies as a DISC under IRC section 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;
- 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 do not meet the 5% test under *Tax-exempt DISCs*. Taxable DISCs must file Form CT-3 on or before the 15th day of the ninth month after the end of the tax year. Such a DISC is subject to the tax on allocated capital or the fixed dollar minimum, whichever is larger, plus a tax on subsidiary capital. Write ***DISC*** after the legal name of the corporation in the address section of the return.

Form CT-3M/4M, *General Business Corporation MTA Surcharge Return,* must be filed by any corporation 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. An exception applies to a qualified entity of a New York State innovation hot spot when the qualified entity is located solely within a hot spot.

Form CT-33-D, *Tax on Premiums Paid or Payable to an Unauthorized Insurer.* If you purchase or renew a taxable insurance contract directly from an insurer not authorized to transact business in New York State under a *Certificate of Authority* from the Superintendent of Financial Services, you may be liable for a tax of 3.6% (.036) of the premium. For more information, see Form CT-33-D.

Form CT-60-QSSS, *Affiliated Entity Information Schedule*. You must file Form CT-60-QSSS if you are an Article 9-A (general business corporation) or an Article 32 (bank) taxpayer and:

- you own a qualified subchapter S subsidiary (QSSS), or
- you are a corporate partner, or
- you own one or more disregarded entities and you have included the income, gains, losses, deductions, credits, or other tax attributes of these entities on your New York State franchise tax return.

You must file Form CT-60-QSSS to inform the Tax Department that the income, deductions, credits, and other tax attributes of these entities will be included on your New York State franchise tax return for that tax period. This will also notify the Tax Department that the QSSS and disregarded entities will not be filing a separate franchise tax return for that tax period.

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. Where New York State 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 continues to be recognized as a separate corporation.

- **Parent is a New York C corporation —** New York State follows the federal QSSS treatment if (1) the QSSS is a New York State taxpayer; or (2) the QSSS is not a New York State taxpayer but the parent makes a QSSS inclusion election. In both cases, the parent and QSSS are taxed as a single New York C corporation, and file Form CT-3 or CT-4. If the parent does not make a QSSS inclusion election, it files Form CT-3 or CT-4 as a New York C corporation on a stand-alone basis.
- **Nontaxpayer parent —** New York State follows the federal QSSS treatment where the QSSS is a New York State 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 Form CT-3-S. 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 on Form CT-3 or CT-4.
- **Exception: excluded corporation —** Notwithstanding the above rules, QSSS treatment is not allowed unless both parent and QSSS are general business corporations. That is, the corporations must 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 which would be subject to such taxes if taxable in New York State.

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

A foreign QSSS authorized to do business in New York State, whose activities are being included in the parent's return, must file Form CT-245 and pay the maintenance fee.

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

Form CT-222, *Underpayment of Estimated Tax by a Corporation.* Use this form to inform the Tax Department that your corporation meets one of the exceptions to reduce or eliminate the underpayment of estimated tax penalty pursuant to Tax Law, Article 27, section 1085(d).

Form CT-223, *Innovation Hot Spot Deduction.* You must file this form if you are a corporation that is a qualified entity located inside and outside a hot spot, or you are a corporate partner of a qualified entity, or both.

Form CT-225, *New York State Modifications*, must be filed if you are entering an amount on Form CT-3, lines 8 and/or 15.

Form CT-240, *Foreign Corporation License Fee Return.* A corporation organized outside New York State (a foreign corporation) that is doing business in New York State must file Form CT-240 to pay the license fee based on capital stock. You must file this return when you file your first franchise tax return, or if capital stock employed in New York State has increased since you filed the last license fee return. However, corporations that are accepted to locate in a tax-free NY area and are located exclusively within the state in a tax-free NY area approved pursuant to EDL Article 21, are **not** required to pay the license fee. (For more information on the START-UP NY program, see TSB-M-13(7)C.)

Form CT-399, *Depreciation Adjustment Schedule.* You must file this form to compute the allowable New York State depreciation deduction if you claim: 1) the federal accelerated cost recovery system (ACRS) depreciation or modified accelerated cost recovery system (MACRS) deduction for certain property placed in service after December 31, 1980; or 2) a 30%/50%/100% federal special depreciation deduction for certain qualified 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 property for which you claimed a 30%/50%/100% federal special depreciation deduction. Use it also to compute the depreciation deduction for the minimum taxable income (MTI) base.

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

Form DTF-664, *Tax Shelter Disclosure for Material Advisors*, is used to assist material advisors in complying with New York State's disclosure requirements.

Form DTF-686, *Tax Shelter Reportable Transactions Attachment to New York State Return*, is used to assist taxpayers and persons in complying with New York State's disclosure requirements.

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

When to file

File your return within 2½ months after the end of your reporting period. If you are reporting for the calendar year, your return is due on or before March 15. If your filing date falls on a Saturday, Sunday, or legal holiday, then you must 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 may request a six-month extension of time by filing Form CT-5, *Request for Six-Month Extension to File (for franchise/business taxes, MTA surcharge, or both),* and paying your properly estimated franchise tax and metropolitan transportation business tax (MTA surcharge) on or before the original due date of the return.

You may request up to two additional 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 or previously filed additional extension.

Where to file

Form CT-3 — Use one of the following addresses:

With payment	Without payment
NYS CORPORATION TAX	**NYS CORPORATION TAX**
PROCESSING UNIT	**PROCESSING UNIT**
PO BOX 1909	**PO BOX 22095**
ALBANY NY 12201-1909	**ALBANY NY 12201-2095**

Form CT-4 — Use one of the following addresses:

With payment	Without payment
NYS CORPORATION TAX	**NYS CORPORATION TAX**
PROCESSING UNIT	**PROCESSING UNIT**
PO BOX 22093	**PO BOX 22101**
ALBANY NY 12201-2093	**ALBANY NY 12201-2101**

Private delivery services — See *Publication 55, Designated Private Delivery Services.*

Penalties and interest

If you pay after the due date

If you do not pay the tax due on or before the original due date, you must pay interest on the amount of the underpayment from the original due date of the return (**without** regard to any extension of time for filing) to the date the tax is paid. Exclude from the interest computation any amount shown on Form CT-3, line 83a or 83b, or Form CT-4, lines 33a or 33b. 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 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 Form CT-3, line 83a or 83b, or Form CT-4, line 33a or 33b.

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 additional charge in item A above 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 when due, add to the tax ½% 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 above (section 1085 (a)).

If you think you are 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, or you may call and we will compute the penalty and interest for you (see *Need help?*).

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 make payments of estimated tax. 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 entire net income (ENI).

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 Form CT-3, line 41).

Other penalties

Strong civil and criminal penalties may be imposed for negligence or fraud.

Is this an amended return?

If you are filing an amended return for any purpose, mark an ***X*** in the *Amended return* box on page 1 of the return.

If you file an amended federal return, you must file an amended New York State return within 90 days thereafter.

For amended returns based on changes to federal taxable income (FTI) — If your FTI has been changed or corrected by a final determination of the Commissioner of Internal Revenue, or by a renegotiation of a contract or subcontract with the United States, you must file an amended return reflecting the change to FTI within 90 days (120 days if filing an amended combined return) of the final federal determination. For a definition of final determination, see 20 NYCRR section 6-1.3(b).

You must attach a copy of federal Form 4549, *Income Tax Examination Changes,* to your amended return.

If you filed as part of a consolidated group for federal tax purposes but on a separate basis for New York State tax purposes, you must submit a statement indicating the changes that would have been made if you had filed on a separate basis for federal tax purposes.

For credits or refunds based upon carryback of a net operating loss (NOL) — To claim a credit or refund resulting from the carryback of an NOL or alternative net operating loss (ANOL) to a prior year, file an amended return within 90 days (120 days if filing an amended combined return) from the date of the document indicating approval of the federal refund or credit.

You must attach the following to your amended return:

- federal claim Form 1139, *Corporation Application for Tentative Refund*, **or** federal Form 1120X, *Amended U.S. Corporation Income Tax Return;*
- a copy of the New York State return for the loss year; and
- proof of federal refund approval, *Statement of Adjustment to Your Account.*

If you are a federal S corporation that files as a New York C corporation file an amended New York State return for the prior year and attach a copy of federal Form 1120S, *U.S. Income Tax Return for an S Corporation,* for the loss year. File the amended return within 15 months from the end of the loss year.

For credits or refunds of corporation tax paid — To claim any refund type that requires an amended return, other than an NOL carryback (see *For credits or refunds based upon carryback of a net operating loss (NOL)*), file an amended New York State return for the year being amended and, if applicable, attach a copy of the claim form filed with the IRS (usually

Form 1120X) and proof of federal refund approval, *Statement of Adjustment to Your Account*.

If you are a federal S corporation, file an amended New York State return for the year being amended. If applicable, attach a copy of the amended federal Form 1120S.

The amended return must be filed within three years of the date the original return was filed or within two years of the date the tax was paid, whichever is later. If you did not file an original return, you must make the request within two years of the date the tax was paid. However, a claim for credit or refund based on a federal change must be filed within two years from the time the amended return reporting the change or correction was required to be filed (see *For amended returns based on changes to federal taxable income (FTI)*. For additional limitations on credits or refunds, see Tax Law, Article 27, section 1087.

Filing your final return

Mark an ***X*** in the *Final return* box on page 1 of the return if the corporation is a:

- domestic corporation that ceased doing business, employing capital, or owning or leasing property in New York State during the tax year and wishes to dissolve; or
- foreign corporation that is no longer subject to the franchise tax in New York State.

Do not mark an ***X*** in the *Final return* box if you are only changing the type of return that you file (for example, from Form CT-3 to CT-3-S, or from Form CT-3 to CT-32).

Do not mark an ***X*** in the *Final return* box in the case of a merger or consolidation.

Include the full profit from any installment sale made in your final tax year in your final return. Also include in your final return any remaining profit not yet received from a prior year's installment sale.

Note: A foreign corporation, authorized to do business in New York State but disclaiming tax liability, that wishes to continue to be authorized must file Form CT-245.

For information on voluntary dissolution and surrender of authority, see Forms TR-125, *Instructions for Voluntary Dissolution of New York State Business Corporations,* and TR-199, *Surrender of Authority-Foreign Corporation,* on our Web site (see *Need help?*).

New York S corporation termination year

When a New York S corporation terminates its federal or New York S election on a day other than the first day of a tax year, the tax year is divided into two tax periods (an S short year and a C short year). The corporation must file Form CT-3-S for the New York S short year and Form CT-3 or CT-4 for the New York C short year.

When an IRC section 338(h)(10) election is made for a target corporation that is a New York S corporation, the target corporation must file two short-period (less than 12 months) reports. When filing the second short-period report, the FTI of the new target is the starting point for computing ENI.

The total tax for the S short year and the C short year may not be less than the fixed dollar minimum tax determined as if the corporation were a C corporation for the entire tax year. For more information, see Form CT-3-S-I, *Instructions for Forms CT-3-S and CT-3-S-ATT*.

The due date of the New York S corporation short year return (Form CT-3-S) is the same as the New York C corporation short year, even though they are treated as separate short tax years.

Reporting period

Use this tax return for calendar year 2014 and fiscal years that begin in 2014 and end in 2015. **Do not** file using this 2014 return if:

- you have a tax year of less than 12 months that begins and ends in 2015, **and**
- the 2015 return is not yet available at the time you are required to file the return.

Instead, file a request for an extension to file for the short period and wait for the 2015 return to become available on the Tax Department's Web site (see *Need help?)*.

All filers must complete the beginning and ending tax year boxes in the upper right corner on page 1 of the form.

Overview of corporation franchise tax

Tax bases

Corporations subject to tax under Tax Law Article 9-A generally must compute four distinct taxes and pay the tax that results in the largest amount owed. The four taxes include a tax on ENI, a tax on business and investment capital, a tax on MTI, and a fixed dollar minimum tax. In addition, if a corporation has any subsidiaries, it must pay a tax on its subsidiary capital. If you have any subsidiaries, you cannot file Form CT-4, but instead must file Form CT-3 or CT-3-A. For more information, see *Which form to file*.

New York State innovation hot spot program

A qualified entity of a New York State innovation hot spot that is located solely within a hot spot is subject only to the fixed dollar minimum tax for five tax years beginning with the first tax year the qualified entity becomes a tenant in, or part of, an innovation hot spot. A qualified entity must be certified by a New York State innovation hot spot. A taxpayer who claims this benefit or who enters an amount on Form CT-3, line 15, as a subtraction from FTI for the income or gain attributable to the operations at, or as part of, the hot spot is no longer eligible for any other New York State exemption, deduction, credit, or refund under the Tax Law to the extent that such exemption, deduction, credit, or refund is attributable to the business operations of a tenant in, or as part of, the New York State innovation hot spot. Claiming these benefits represents an irrevocable election.

Fixed dollar minimum tax

The fixed dollar minimum tax is determined by the corporation's New York receipts.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on Form CT-3, line 74a or Form CT-4, line 31. If you do not have New York receipts, enter ***0*** on the appropriate line. Failure to make an entry on the line may result in an assessment of tax or reduction of your refund or credit.

A domestic corporation that is no longer doing business, employing capital, or owning or leasing property in New York State is exempt from the fixed dollar minimum tax for years following its final tax year and is no longer required to file a franchise tax return provided it meets the requirements listed in TSB-M-06(5)C.

Short periods — fixed dollar minimum tax and maintenance fee

Compute the New York receipts for short periods (tax periods of less than 12 months) by dividing the amount of New York 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 six months	50%
More than six months but not more than nine months	25%
More than nine months	None

If you are an authorized foreign corporation, you are subject to the maintenance fee for the entire period in which you are authorized, whether or not you are doing business in New York State (see *Foreign corporations authorized to do business but disclaiming tax liability*). However, corporations that are accepted to locate in a tax-free NY area and are located exclusively within the state in a tax-free area approved pursuant to EDL Article 21, provided that the corporation satisfied the requirements in Tax Law, Article 1, section 39(a), are **not** required to pay an annual maintenance fee. (For more information on the START-UP NY program, see TSB-M-13(7)C.

Computation of tax for corporate partners

A taxpayer that is a partner in a partnership (a corporate partner) computes its tax for its interest in the partnership using either the aggregate method or entity method, whichever applies. (See *Election by a foreign corporate limited partner* for the exception to these methods allowed under 20 NYCRR section 3-13.5.)

Aggregate method — Under the aggregate method, a corporate partner is viewed as having an undivided interest in the partnership's assets,

liabilities, and items of receipts, income, gain, loss, and deduction. The partner is treated as participating in the partnership's transactions and activities. (20 NYCRR section 3-13.3)

Entity method — Under the entity method, a partnership is treated as a separate entity and a corporate partner is treated as owning an interest in the partnership entity. The partner's interest is an intangible asset that is classified as business capital. To the extent a corporate partner's ENI includes its distributive share of partnership items of income, gain, loss, or deduction, those items are treated as business income. (20 NYCRR section 3-13.4)

Corporate partners required to file under the aggregate method

A corporate partner receiving a complete Form IT-204-CP, *New York Corporate Partner's Schedule K-1,* must file using the aggregate method.

In addition, a corporate partner must file using the aggregate method if the corporate partner has access to the information necessary to compute its tax using the aggregate method. A corporate partner is presumed to have access to the information and therefore is required to file using the aggregate method if it meets **one or more** of the following conditions:

- it is conducting a unitary business with the partnership;
- it is a general partner of the partnership or is a managing member of a limited liability company (LLC) which is treated as a partnership for federal income tax purposes;
- it has a 5% or more interest in the partnership;
- it has reported information from the partnership in a prior tax year using the aggregate method;
- its partnership interest constitutes more than 50% of its total assets;

Tax rates schedule

Tax base	Tax rates
Table 1 — ENI base for general business taxpayers	.071
Table 2 — ENI base for qualified small business taxpayers ENI base of $290,000 or less: ENI base of more than $290,000 but not more than $390,000:	 .065 • $18,850 • plus 7.1% of the amount over $290,000 • plus 4.35% of the amount over $350,000
Table 3 — ENI base for qualified New York manufacturers	.00
Table 4 — ENI base for eligible qualified New York manufacturers	.00
Table 5 — ENI base for qualified emerging technology companies (QETCs)	.059
Table 6 — Capital base	.0015
Table 7 — Capital base for qualified New York manufacturers, eligible qualified New York manufacturers, and QETCs	.001362
Table 8 — Qualified cooperative housing corporation capital base*	.0004
Table 9 — MTI base	.015
Table 10 — MTI base for qualified New York manufacturers and QETCs	.01362
Table 11 — MTI base for eligible qualified New York manufacturers	.0075
Table 12 — Fixed dollar minimum tax For a corporation with New York receipts of:	
Not more than $100,000:	$ 25**
More than $100,000 but not over $250,000:	$ 75**
More than $250,000 but not over $500,000:	$ 175**
More than $500,000 but not over $1,000,000:	$ 500
More than $1,000,000 but not over $5,000,000:	$ 1,500
More than $5,000,000 but not over $25,000,000:	$ 3,500
Over $25,000,000:	$ 5,000
Table 13 — Fixed dollar minimum tax for qualified New York manufacturers and QETCs For a corporation with New York receipts of:	
Not more than $100,000:	$ 22.70**
More than $100,000 but not over $250,000:	$ 68.10**
More than $250,000 but not over $500,000:	$ 158.90**
More than $500,000 but not over $1,000,000:	$ 454
More than $1,000,000 but not over $5,000,000:	$ 1,362
More than $5,000,000 but not over $25,000,000:	$ 3,178
Over $25,000,000:	$ 4,540
Table 14 — Fixed dollar minimum tax for eligible qualified New York manufacturers For a corporation with New York receipts of:	
Not more than $100,000:	$ 12.50**
More than $100,000 but not over $250,000:	$ 37.50**
More than $250,000 but not over $500,000:	$ 87.50**
More than $500,000 but not over $1,000,000:	$ 250 **
More than $1,000,000 but not over $5,000,000:	$ 750
More than $5,000,000 but not over $25,000,000:	$ 1,750
Over $25,000,000:	$ 2,500
Table 15 — Subsidiary capital base	.0009

*See *Cooperative housing corporations*.

**Foreign authorized corporations: If the total of your tax (including tax imposed under Article 9) and MTA surcharge is less than $300, you must increase your payment accordingly to satisfy the $300 maintenance fee requirement.

Exception: Corporations that are accepted to locate in a tax-free NY area and are located exclusively within the state in a tax-free NY area approved pursuant to EDL Article 21, provided that the corporation satisfied the requirements in Tax Law, Article 1, section 39(a), are **not** required to pay the maintenance fee. (For more information on the START-UP NY program, see TSB-M-13(7)C.)

- its basis in its interest in the partnership determined under IRC section 705 on the last day of the partnership year that ends within or with the taxpayer's tax year is more than $5 million; or
- any member of its affiliated group has the information necessary to perform such computation.

A corporate partner that does not receive a complete Form IT-204-CP may file using the entity method **only** if it does **not** meet any of the conditions listed above **and** does not have access (and will not have access within the time period allowed for filing a return with regard to all extensions of time to file) to the information necessary to compute its tax using the aggregate method and certifies these facts to the Tax Commissioner (see 20 NYCRR section 3-13.2(b)).

Computation of tax under the aggregate method — The taxpayer's **distributive share** (see IRC section 704) of each partnership item of receipts, income, gain, loss, and deduction, and the taxpayer's **proportionate part** of each partnership asset, liability, and partnership activity are included in the computation of the taxpayer's ENI base, capital base, MTI base, and the fixed dollar minimum. These items have the same source and character in the hands of the partner for Article 9-A purposes that the items have for the partner for federal income tax purposes. (20 NYCRR section 3-13.3)

Computation of tax under the entity method — A corporate partner is treated as owning an interest in the partnership entity for purposes of determining the taxes measured by the ENI base, capital base, MTI base, and the fixed dollar minimum. The partner's interest is an intangible asset which is business capital. (20 NYCRR section 3-13.4)

Election by a foreign corporate limited partner — A foreign corporation that is a limited partner in one or more limited partnerships, that is subject to tax solely as a result of the application of 20 NYCRR section 1-3.2(a)(6) and that does not file on a combined basis for Article 9-A purposes, may elect to compute its tax by taking into account **only** its distributive share of each partnership item of receipts, income, gain, loss, and deduction (including any modifications) and its proportionate part of each asset, liability, and partnership activity of the limited partnership. (20 NYCRR section 3-13.5)

This election may not be made if the limited partnership and corporate group are engaged in a unitary business, wherever conducted, and there are substantial inter-entity transactions between the limited partnership and the corporate group.

Corporate group means the corporate limited partner itself or, if it is a member of an affiliated group, the corporate limited partner and all other members of such affiliated group.

Affiliated group has the same meaning as such term is defined in IRC section 1504 without regard to the exclusions provided for in section 1504(b). However, the term *common parent corporation* is deemed to mean any person as defined in IRC section 7701(a)(1).

If the taxpayer meets the criteria to make the election and does not have access to the information necessary to do the computation, the taxpayer may treat its distributive share of the partnership's items of income, gain, loss, and deduction as business income and its interest in the partnership as business capital, and may allocate that business income and capital entirely to New York State.

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(b).

Foreign airlines

Foreign airlines that have a foreign air carrier permit pursuant to section 402 of the Federal Aviation Act of 1958 may 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 business allocation formula based on receipts, payroll, and property, as opposed to the special 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 special airline allocation formula.

For more information, see TSB-M-94(2)C, *Important Notice: Summary of 1994 Corporation Tax Law Changes.*

How to fill out your tax return

Important identifying information

When preparing your corporation tax return, be sure to accurately complete the corporation's identifying information (employer identification number (EIN) and file number) including your current 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.

Signature

The return must be certified by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer authorized by the taxpayer 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, all applicable entries in the paid preparer section must be completed, including identification numbers (see *Paid preparer identification numbers* in Form CT-1). Failure to sign the return will delay the processing of any refunds and may result in penalties.

Line instructions for Form CT-4, *General Business Corporation Franchise Tax Return Short Form*

Line A — Make your check or money order payable 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 — Tax Law, Article 36, section 1700 authorizes the Tax Department to waive civil and criminal penalties for taxpayers who disclose and pay overdue taxes. Under the Tax Department's Voluntary Disclosure and Compliance Program, eligible taxpayers who owe back taxes can avoid monetary penalties and possible criminal charges by:

- telling the Tax Department what taxes they owe;
- paying those taxes; and
- entering an agreement to pay all future taxes.

It is easy to apply. Visit our Web site (see *Need help?*). Just follow the prompts, answer a few questions, and submit your application electronically.

Qualified entities in a New York State innovation hot spot

If you are a qualified entity of a New York State innovation hot spot that is located solely within a hot spot and is electing to be subject to only the fixed dollar minimum tax base: skip lines 1 through 29, 56 through 59, and 68 through 72. Mark an ***X*** in the *Yes* box on line 73.

Computation of entire net income (ENI) base

Line 1 — Enter your FTI, before 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-H or federal Form 1120-POL, use the amount from line 19.

— If you file federal Form 1120-C, use the amount from line 25c.

— If you are a member of a federal affiliated group that files a consolidated return, complete a pro forma 1120 reporting the FTI you would have been required to report on a separate federal tax return,

and attach a copy of the federal consolidating workpaper indicating your separate taxable income before any elimination of intercorporate transactions included in the federal consolidated return.

— If you are a federal 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 from Form 1120 are:
- dividends
- interest
- gross rents
- gross royalties
- capital gain net income
- charitable contributions
- IRC section 199 deduction

— 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 you determined the amount.

— If you have an amount of excess inclusion as a result of having a residual interest in a real estate mortgage investment conduit (REMIC), you must properly reflect this income in FTI.

Lines 2 through 5 — Additions

Use lines 2 through 5 to add items that are not included in FTI but that must be included in New York State ENI.

Line 2 — Include 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 — Include all amounts 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 payer, when the corporate stockholder payee has deducted the interest as income attributable to subsidiary capital on its New York State franchise tax return.

Line 4 — Include all amounts deducted on your federal return for New York State taxes imposed under Article 9 sections 183, 183-a, 184, 184-a, and Articles 9-A, 23, 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 tax or 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 5 — Use this line if:
- 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 a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in Tax Law, Article 9-A, 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 this year of either ACRS/MACRS property, or property for which you claimed a 30%/50%/100% federal special depreciation deduction, and the New York depreciation modifications applied to the property in any prior years.

If line 5 applies, enter the amount from Form CT-399, 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 Form CT-399, line 10, column A. Enter your recomputed deduction on line 8 of this form. For more information, see Form CT-399-I, *Instructions for Form CT-399*.

Lines 7, 8, and 9 — Subtractions

Use lines 7, 8, and 9 to subtract items that are included in FTI, but should not be included in New York State ENI.

Line 7 — Enter the New York State NOL carried forward from prior years. Attach a separate sheet with full details of both federal and New York State NOLs claimed.

You must determine a New York State net operating loss deduction (NOLD) as if you had elected under IRC section 172 to relinquish the carryback provisions, except for the first $10,000 which you may carry back to the preceding years (section 208.9(f)).

These rules apply:

A. IRC section 172 federal losses must be adjusted in accordance with Article 9-A section 208.9(a), (b), and (g).

B. For NOLs incurred, refer to IRC section 172 for carryback and carryforward periods.

C. If you have elected to carry back an NOL for federal tax purposes, you may carry back only the first $10,000 of an NOL to the preceding years. Use an amended return to request a refund based on an NOL carryback.

D. Any portion of the $10,000 NOL not used as a carryback may be carried forward.

E. 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.

F. No deduction is allowed for an NOL sustained during any year in which the corporation was not subject to tax under Article 9-A.

G. The New York State 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 (see items C, D, and E).

H. A New York C corporation is not allowed a deduction for a 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)).

I. These rules also apply to a federal S corporation not electing New York S corporation treatment and to any corporation included in a consolidated group for federal purposes but filing on a separate basis for New York State purposes. 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, you must file a request in writing to relinquish the carryback on or before the due date (or extended due date) of the return for the loss year. Any corporation that does not file a request on time with the Tax Department must carry the first $10,000 of the NOL back before the NOL can be carried forward.

Note: Patronage-sourced NOLS cannot be used to reduce nonpatronage-sourced taxable income.

Line 8 — Use this line if:
- 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 a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified 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 this year of either ACRS/MACRS property, or property for which you claimed a 30%/50%/100% federal special depreciation deduction, and the New York depreciation modifications applied to the property in any prior years.

If line 8 applies, enter the amount from Form CT-399, line 3, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 10, column B, and attach the form. For more information, see Form CT-399-I.

Line 9 — If you have received a credit or refund of tax for which you were not previously allowed to take a deduction when you determined your ENI, but which was included in your FTI, include the amount of the credit and refund. The taxes to which this provision is applicable include the taxes imposed by New York State Tax Law Articles 9-A, 23, and 32, as well as by Article 9 sections 183, 183-a, 184, and 184-a.

Line 12 — ENI base tax computation

General business taxpayers

If you do not qualify as a small business taxpayer (as defined below), a qualified New York manufacturer (see line 71 instructions), an **eligible** qualified New York manufacturer (see line 71 instructions), or a qualified emerging technology company (QETC) (see line 74 instructions), multiply line 11 by 7.1%. Enter the amount on line 12 and on line 28, and continue with line 13.

Small business taxpayer definition

A corporation qualifies as a small business taxpayer if:

— its ENI (before allocation) is not more than **$390,000**;

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

— the corporation is not part of an affiliated group, as defined in IRC section 1504, unless the group itself would have met the above criteria if it had filed a combined return.

Short periods: A corporation that files Form CT-4 for a tax year of less than 12 months must annualize ENI from Form CT-4, line 11, to determine if it qualifies as a small business taxpayer. For a period of less than 12 months, annualize the ENI (line 11) by dividing it by the number of months in the short period and multiplying the result by 12.

Small business taxpayers

Complete lines 68 and 69 if you use the small business taxpayer tax rate.

If your ENI base is $290,000 or less, multiply line 11 by 6.5% (.065) and enter the result on line 12 and line 28, then continue with line 13.

If your ENI base is more than $290,000 but not over $390,000, your effective rate will be between 6.5% and 7.1%. Your tax is:

1. $18,850 ($290,000 times 6.5%), **plus**
2. 7.1% (.071) of any amount over $290,000, **plus**
3. 4.35% (.0435) of any amount over $350,000.

Use Worksheet A below to compute your tax:

Worksheet A

ENI base from line 11		A.	$18,850
Subtract	290,000		
Multiply balance	by .071 =	B.	
Subtract	60,000		
Multiply balance	by .0435 =	C.	
Add boxes A, B, and C; enter the result here and on lines 12 and 28		D.	

A small business taxpayer's tax on the ENI base will never exceed $27,690 for the tax period.

If you are a qualified New York manufacturer (see line 71 instructions), multiply line 11 by 0%. If you are an **eligible** qualified New York manufacturer (see line 71 instructions), multiply line 11 by 0%. If you are a QETC (see line 74 instructions), multiply line 11 by 5.9% (.059). Enter the result on line 12 and on line 28, and continue with line 13. Mark an ***X*** in the applicable box on line 71 or line 74 to avoid an erroneous assessment or delayed refund.

Computation of capital base

Lines 13 through 19

To determine the value of your assets for the 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 (GAAP). Use lines 15 and 16 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 13 through 18, enter the values at the beginning of the year in column A and at the end of the year in column B. Enter the average value in column C. 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 16 — Enter the fair market value of real property and marketable securities included on line 14. 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. For determination of fair market value of real property, see TSB-M-85(18.1)C, *Valuation of Real Property*.

Line 18 — Enter the amount of all liabilities attributable to assets on line 13, both long and short term.

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

Line 20 — Capital base tax computation — Multiply line 19 by the tax rate of .0015. Cooperative housing corporations multiply line 19 by .0004. If you are a qualified New York manufacturer (see line 70 instructions), multiply line 19 by the tax rate of .001362. Enter the result on line 29, but do not enter more than $350,000 if you are a qualified New York manufacturer, and do not enter more than $1 million for all other taxpayers. Complete line 70 if you are claiming qualified New York manufacturer status for purposes of a lower capital base tax rate and limitation. If you have been taxable in New York State for less than two years, read the instructions for line 29 to see if you qualify as a new small business corporation.

Note: All cooperative housing corporations must file Form TP-588, *Cooperative Housing Corporation Information Return,* twice a year. For more information, see the instructions on Form TP-588.

Short periods — If a tax return is for a period of less than 12 months, determine the amount of business 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).

Computation of minimum taxable income (MTI) base

To calculate your MTI, you must add to your ENI federal tax preference items, and add or subtract certain federal adjustments used to compute federal alternative MTI (federal Form 4626). To complete the calculation, add the New York State NOLD and subtract the ANOLD.

You must determine an MTI base and tax whether or not you file federal Form 4626, *Alternative Minimum Tax — Corporations*.

If you have any federal adjustment or tax preference items **other than the depreciation adjustment** or the ANOLD, you may not use Form CT-4. Use Form CT-3 to compute your tax.

Line 22 — If you are not required to complete Form CT-399, Part 4, enter the amount from federal Form 4626, line 2a.

If you were not required to file federal Form 4626, compute the amount that would have been reported on line 2a of that form.

If you are required to complete Form CT-399, Part 4, include the amount from Form CT-399, line 15 or 16.

Attach a copy of Form CT-399 or federal Form 4626 to your Form CT-4.

Line 25 — Enter your ANOLD. Attach a separate sheet with full details of the New York State ANOLs claimed.

Determine the ANOLD in the manner described in the line 7 instructions, for computing the regular NOLD, except that you must redetermine the NOL for any year beginning after 1989 that is included in the ANOLD with the adjustments and tax preferences required to be used in computing the MTI for that year. (**Note:** The required addback of regular NOLD is not an adjustment or tax preference.) Take an item of tax preference into account only to the extent it increased the regular NOL. In determining the ANOLs carrying into the ANOLD of any given year, the following rules apply:

A. Exclude losses from years when the taxpayer was not subject to Article 9-A.

B. ANOLs must be carried to the appropriate carry years under C, whether or not the tax on MTI is the largest tax for the particular carry year.

C. ANOLs must be carried using the conventions of IRC section 172(b)(2). The carryback must be exhausted in the earliest available carry year, except as provided in D and E below.

D. The carryback of each ANOL is limited to $10,000, as is the case with the regular tax NOLD.

E. The federal election to forgo carryback of an NOL applies to the related New York State ANOL.

F. 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 in G and H below.

G. The ANOLD is limited to 90% of MTI, computed without regard to the ANOLD.

H. The 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, *Computation of Minimum Taxable Income and Minimum Tax Credit*.

Line 27 — If you are **not** an eligible qualified New York manufacturer, a qualified New York manufacturer, or a QETC, multiply line 26 by 1.5% (.015). If you are an **eligible** qualified New York manufacturer (see line 72 instructions), multiply line 26 by .75% (.0075). If you are a qualified New York manufacturer or a QETC (see line 75 instructions), multiply line 26 by 1.362% (.01362). If your largest tax is based on MTI base, you may be allowed a minimum tax credit in a future tax period. See Form CT-38, *Minimum Tax Credit*.

Computation of tax

Line 29 — Enter the tax computed on your capital base from line 20. Qualified New York manufacturers, including **eligible** qualified New York manufacturers and QETCs, do not enter more than $350,000, and all other taxpayers do not enter more than $1 million.

A new small business corporation may claim an exemption from the tax on the capital base for its first two tax years if it meets the requirements below. If you are claiming this exemption, enter ***0*** on line 29 and mark the box indicating which year the exemption is for. You will continue to be liable for the largest tax computed on lines 27, 28, or 30. Attach a separate sheet covering all points listed below. If you do not supply the information, we will disallow the exemption.

Note: Do not confuse the definition below with the definition of a small business taxpayer in the instructions for line 12.

To qualify, the corporation must meet the federal definition of a small business corporation (IRC section 1244(c)(3), disregarding the second sentence of subparagraph (A)). The requirements are:

— The total amount of money and other property the corporation received for stock, as a contribution to capital and as paid-in surplus, may not be more than $1 million on the last day of its tax year.

— The corporation cannot be similar in ownership and operation to a business now taxable or previously taxable under Tax Law, Article 9 (section 183, 184, 185, or 186), 9-A, 22, 32, or 33 (or a business entity which had income or losses includable under Article 22 or which would have been taxable under former Article 23, unincorporated business tax, had that article not been repealed by the Laws of 1978).

— 90% percent of the corporation's assets and 80% of its employees must be located in New York State.

— The corporation cannot have as a shareholder a corporation that owns over 50% of its voting stock, and that is taxable under Article 9 (section 183, 184, 185, or 186), 9-A, 32, or 33, unless the corporation itself qualifies as a small business corporation.

Line 30 — Fixed dollar minimum tax — The fixed dollar minimum tax is determined by the corporation's New York receipts.

See Table 12, 13, or 14 of the *Tax rates schedule* to determine the applicable fixed dollar minimum tax.

Homeowners' associations with no FTI are not subject to the fixed dollar minimum tax and must enter ***0*** on line 30.

A homeowners association filing federal Form 1120-H must also mark an ***X*** in the applicable box on line B on page 1 of the return to avoid an erroneous assessment or delayed refund.

Qualified New York manufacturers, **eligible** qualified New York manufacturers, and QETCs must mark an ***X*** in the applicable box on line 72 or 75 to avoid an erroneous assessment or delayed refund.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on line 31. If you do not have New York receipts, enter ***0***.

Line 31 — New York receipts — Enter business 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 within New York State. These items can be found on federal Form 1120, *Income* section. For a short period, annualize New York receipts by dividing by the number of months in the short period and multiplying the result by 12.

Under 20 NYCRR section 4-4.6(e), receipts from the sales of capital assets are not business receipts and are not included in New York receipts.

Line 32 — Enter the amount from line 27, 28, 29, or 30, whichever is largest.

Small business taxpayer exception: If line 29 (tax on capital base) is larger than line 28 (tax on ENI base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 27, 28, or 30. If you qualify as **both** a small business taxpayer **and** either a qualified or **eligible** qualified New York manufacturer, or a QETC, you must use the small business taxpayer rate for purposes of ENI base in order to be exempt from the tax on the capital base under the small business taxpayer exception. Mark an ***X*** in the *Yes* box on line 68 to indicate that you are claiming small business taxpayer status (do **not** mark an ***X*** in the *Yes* box on line 71 or line 74).

Qualified entity of a New York State innovation hot spot exception: If located solely within a hot spot and electing to be subject only to the fixed dollar minimum tax, enter only the amount from line 30. Mark an ***X*** in the *Yes* box at line 73 to indicate that you are making this election.

Line 33b — If the tax on line 32 exceeds $1,000 and you did not file Form CT-5, a mandatory first installment is required for the period following the one that is covered by this return. If the tax on line 32 exceeds $1,000 but is not greater than $100,000, multiply the amount on line 32 by 25%. If the tax on line 32 exceeds $100,000, multiply the amount on line 32 by 40%.

Line 37 — Form CT-222, *Underpayment of Estimated Tax by a Corporation*, is filed by a corporation to inform the Tax Department that the corporation meets one of the exceptions to reduce or eliminate the underpayment of estimated tax penalty pursuant to Tax Law section 1085(d).

Lines 38 and 39 — If you are not filing this return on time, you must pay interest and additional charges. See *Penalties and interest*.

Lines 41a through 41f

If you want to make a contribution to *Return a Gift to Wildlife*, *Breast Cancer Research and Education Fund, Prostate and Testicular Cancer Research and Education Fund*, *National September 11 Memorial & Museum at the World Trade Center, Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund, Veterans Remembrance and Cemetery Maintenance and Operations Fund*, or all six, enter the whole dollar amount(s) on the appropriate line(s). Your gift will increase your payment or reduce your overpayment. You cannot change the amount of your gift after you file your return.

Line 41a — Return a Gift to Wildlife — Your contribution will benefit New York's fish, wildlife, and marine resources, and you can receive a free issue of *Conservationist* magazine. Call 1 800 678-6399 for your free sample issue. For more information about New York State's environmental conservation programs, go to *www.dec.ny.gov*. For information about *Conservationist*, go to *www.TheConservationist.org*.

Line 41b — Breast Cancer Research and Education Fund — Your contribution will support ground-breaking research and education in New York State to prevent, treat, and cure breast cancer. Help make breast cancer a disease of the past. For more information, go to *www.wadsworth.org/extramural/breastcancer*. New York State will match your contribution to the Breast Cancer Research and Education Fund, dollar for dollar.

Line 41c — Prostate and Testicular Cancer Research and Education Fund — Your contribution will advance prostate and testicular cancer research, support programs and education projects in New York State. New York State will match contributions to the Prostate and Testicular Cancer Research and Education Fund, dollar for dollar.

Line 41d — National September 11 Memorial & Museum at the World Trade Center *(9/11 Memorial)* — Your contribution will help create and sustain the National September 11 Memorial & Museum which will commemorate and honor the thousands of people who died in the attacks of September 11, 2001, and February 26, 1993. The Memorial and Museum will recognize the endurance of those who survived, the courage of those who risked their lives to save others, and the compassion of all who supported us in our darkest hours. Help New York State, the nation, and the world remember by making a contribution. For more information, go to *www.911memorial.org*.

Line 41e — Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund — Contributions to this fund will help recruit and retain the men and women who make up our volunteer fire and volunteer emergency medical services units. Volunteer firefighters and volunteer emergency services workers are crucial to the effective operation of a municipality and for the safety and well-being of the citizens of this state. Volunteer firefighters and volunteer emergency medical services workers provide invaluable benefits to their local communities. Despite their importance, the number of volunteer firefighters and volunteer emergency services workers has declined significantly over the past few years. For more information, go to *www.dhses.ny.gov/ofpc* or contact the State Office of Fire Prevention and Control at (518) 474-6746.

Line 41f — Veterans Remembrance and Cemetery Maintenance and Operation Fund *(Veterans Remembrance)* — Your contribution will help provide for the perpetual care of state veterans cemeteries. Contributions will be used for the purchase, leasing, and improvement of land for veterans cemeteries, the purchase and leasing of equipment and other materials needed for the maintenance of cemeteries, and other associated costs.

Line 44 — Unrequested refunds to be credited forward — If the corporation 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 on line 48. 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.

Line 45 through 48 — You may apply an overpayment as a credit 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 amounts of overpayment you wish credited or refunded.

Composition of prepayments on line 35

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 35.

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 their issued capital stock, must provide the information requested in this section (section 211.2-a). A penalty of $500 is imposed for failing to provide this information (section 1085(n)).

Line 63 — Interest deducted — Enter the total amount of interest deducted on your federal return that you used in computing your FTI on line 1.

Lines 68 and 69 — Small business taxpayer — If you used the small business tax rate on line 12, you must mark an ***X*** in the *Yes* box on line 68 and complete line 69 to show that your corporation qualifies for the lower tax rate. If you qualify, provide the information requested in this section. Use your federal balance sheet amounts for stock and other paid-in capital. Use the worksheet below to determine the amount to enter on line 69.

	No. of shares	Amount
Par value stock		
No-par value stock.....		
Contributions to capital and paid-in surplus.....		
Total capital contributions; enter on line 69		

For the definition of small business taxpayer, see *Small business taxpayer definition* in Form CT-4, line 12 instructions.

Lines 70, 71, 72, 74, and 75

Note: Since the wording to questions on lines 70, 71, and 72 have changed and two new questions on lines 74 and 75 were added, it is now possible that you may have more than one *Yes* answer to these questions.

Line 70 — If you are claiming qualified New York manufacturer status (see below) for purposes of a lower capital base tax rate and limitation, you must mark an ***X*** in the *Yes* box.

Qualified New York manufacturer is a manufacturer (as described below) that has property in New York State that is principally used by the taxpayer in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, and either:

- the adjusted basis of the property for federal income tax purposes is at least $1 million at the close of the tax year; or
- all of its real and personal property is located in New York State.

A corporation qualifies as a manufacturer if during the tax year the taxpayer is **principally engaged** in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing. A taxpayer is *principally engaged* in manufacturing activities if during the tax year more than 50% of its gross receipts are derived from receipts for the sale of goods produced by these activities.

In addition, a taxpayer (or in the case of a combined report, a combined group), that does not satisfy the principally engaged test may be a qualified New York manufacturer if the taxpayer or the combined group employs during the tax year at least 2,500 employees for manufacturing in New York and the taxpayer or the combined group has property in the state used in manufacturing, the adjusted basis of which for federal income tax purposes at the close of the tax year is at least $100 million.

A qualified New York manufacturer also includes, for purposes of computing the tax on the capital base, a taxpayer that is a:

- QETC as defined under Public Authorities Law section 3102-e(1)(c), except that the $10 million limitation under section 3102-e(1)(c)(1) does not apply; and
- an **eligible** qualified New York manufacturer (see line 72 instructions).

Line 71 — If you are claiming qualified New York manufacturer status (see above) or **eligible** qualified New York manufacturer status (see above) for purposes of a 0% ENI tax rate, you must mark an ***X*** in the *Yes* box.

For purposes of the 0% ENI rate, the generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not considered manufacturing activities for purposes of the principally engaged test.

For purposes of the tax on the ENI base, a QETC is not a qualified New York manufacturer (see line 74 instructions).

Line 72 — If you are claiming **eligible** qualified New York manufacturer status for purposes of a lower MTI rate, or a lower fixed dollar minimum, you must mark an ***X*** in the *Yes* box. For qualifying criteria, see TSB-M-13(1)C, *Article 9-A Tax Rates for Eligible Qualified New York Manufacturers*.

Line 74 — If you are claiming QETC status for purposes of a lower ENI rate, you must mark an ***X*** in the *Yes* box. For qualifying criteria, see Public Authorities Law section 3102-e(1)(c), without regard to the $10 million limitation.

Line 75 — For purposes of the MTI base and fixed dollar minimum, see line 70 instructions for information about the status as a qualified New York manufacturer or QETC. For this line, to qualify as a qualified New York manufacturer, the generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not considered manufacturing activities for purposes of the principally engaged test. Do not claim the MTI rate or fixed dollar minimum

available to **eligible** qualified New York manufacturers unless you meet the criteria in the line 72 instructions and have marked an ***X*** in the *Yes* box on line 72.

Line instructions for Form CT-3, *General Business Corporation Franchise Tax Return*

Line A — Make your check or money order payable 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 — Tax Law, Article 36, section 1700 authorizes the Tax Department to waive civil and criminal penalties for taxpayers who disclose and pay overdue taxes. Under the Tax Department's new Voluntary Disclosure and Compliance Program, eligible taxpayers who owe back taxes can avoid monetary penalties and possible criminal charges by:

- telling the Tax Department what taxes they owe;
- paying those taxes; and
- entering an agreement to pay all future taxes.

It is easy to apply. Visit our Web site (see *Need help?*). Just follow the prompts, answer a few questions, and submit your application electronically.

Qualified entities in a New York State innovation hot spot

If you are a qualified entity of a New York State innovation hot spot that is located solely within a hot spot and is electing to be subject to only the fixed dollar minimum tax base: skip lines 1 through 25, 42 through 73, and 142 through 166. Mark an ***X*** in the *Yes* box on line 167.

Computation of entire net income (ENI) base

Line 1 — Enter your federal taxable income (FTI), before 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 Form 1120-REIT, use the sum of: a) real estate investment trust taxable income (as defined in IRC section 857(b)(2), but **before** the NOL deduction, total deduction for dividends paid, and the IRC section 857(b)(2)(e) deduction), as modified by IRC section 858, **plus** b) the amount taxable under IRC section 857(b)(3).

— If you file Form 1120-RIC, use the sum of: a) investment company taxable income (as defined in IRC section 852(b)(2), but **before** the deduction for dividends paid and the deductions for tax imposed under IRC sections 851(d)(2) and 851(i)), as modified by IRC section 855, **plus** b) the amount taxable under IRC section 852(b)(3).

— If you file federal Form 1120-H or Form 1120-POL, use the amount from line 19.

— If you file federal Form 1120-C, use the amount from line 25c.

— If you are a member of a federal affiliated group that files a consolidated return, complete a pro forma 1120 reporting the FTI you would have been required to report on a separate federal tax return, and attach a copy of the federal consolidating workpaper indicating your separate taxable income before any elimination of intercorporate transactions included in the federal consolidated return.

— If you are a federal S corporation filing federal Form 1120S but you have not made an election to be treated as a New York 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 on Form 1120 affected are:

- dividends
- interest
- gross rents
- gross royalties
- capital gain net income
- charitable contributions
- IRC section 199 deduction

— If you file Form 1120-F, use the amount from Section II, line 29. Adjustments to worldwide income and loss are required on line 8 of Form CT-3.

— 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 you determined the amount.

— If you have an amount of excess inclusion as a result of having a residual interest in a real estate mortgage investment conduit (REMIC), you must properly reflect this income in FTI.

Lines 2 through 8 — Additions

Use lines 2 through 8 to add items that you did not include in FTI but that you must include in New York State ENI.

Line 2 — Include 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 — Include 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 payer, when the corporate 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 — Subsidiaries

If you have a subsidiary, you must complete Form CT-3-ATT, *Schedules B, C, and D – Attachment to Form CT-3*, Schedule C. If you have subsidiary capital included on Form CT-3-ATT, line 27, column C, complete lines 4a, 4b, 5a, and 5b to report any expenses directly or indirectly attributable to subsidiary capital. See TSB-M-88(5)C, *Direct and Indirect Attribution of Deductions, Article 9-A,* for complete details on the attribution of **interest** expenses and TSB-M-95(2)C, *Attribution of Noninterest Deductions*, on the attribution of **noninterest** expenses. If you do not have a subsidiary, enter ***0*** on lines 4a, 4b, 5a, and 5b. See definitions of subsidiary and subsidiary capital.

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 of the issuing corporation. *Actual beneficial ownership* of stock does not mean indirect ownership or control of a corporation through a structure consisting of several tiers and/or chains of corporations and/or partnerships. An LLC that is over 50% owned by a corporation and elects to be treated as a corporation for federal tax purposes is a *subsidiary.* For more information, see 20 NYCRR 3-6.2.

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 Tax Law Article 9-A, 32, or 33. For more information, see 20 NYCRR 3-6.3.

Line 4a — Include all amounts of **interest** deductions allowed in the computation of ENI (includable in the amount on *Line 5a worksheet*, line E) that are **directly** attributable to subsidiary capital (or to income, losses, or gains from subsidiary capital).

Line 4b — Include all amounts of **noninterest** deductions allowed in the computation of ENI (includable in the amount on *Line 5b worksheet*, line E) that are **directly** attributable to subsidiary capital (or to income, losses, or gains from subsidiary capital).

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

— interest on debt incurred to buy subsidiary capital

— salaries of employees engaged in the management, supervision, or conservation of subsidiary capital

— expenses for legal advice relating to the acquisition of subsidiary capital

— stewardship deductions relating to subsidiary capital

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

— Investment capital (or to income, losses, or gains from investment capital); see Form CT-3-ATT, line 15 and line 16.

— Business capital (or to income, losses, or gains from business capital).

Note: 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 TSB-M-95(2)C, section III.

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

Complete lines 5a and 5b if you have subsidiary capital includable on Form CT-3-ATT, line 27, column C (otherwise, enter ***0*** on lines 5a and 5b).

Line 5a — Compute the amount of **interest** deductions that are **indirectly** attributable to subsidiary capital (or to income, gains, or losses from subsidiary capital) using *Line 5a worksheet*.

Line 5a worksheet

Interest deductions indirectly attributable to subsidiary capital

A. Enter federal interest deduction shown on federal Form 1120 ..... A. _____

B. Enter amounts of interest deductions included on line A that must be added back to FTI in computing ENI (other than the amounts on Form CT-3, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3, line 15. Enter the Form CT-3 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 must be subtracted from FTI in computing ENI; for example, the interest deductions taken in computing the amount on Form CT-3, line 2, or amounts related to foreign source income not included on federal Form 1120.
Enter the Form CT-3 line numbers and amounts below.
Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

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

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

G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-ATT, line 15..... G. _____

H. Enter any interest deductions directly attributable to 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-ATT, line 27, column C ..... K. _____

L. Enter the amount from Form CT-3, line 30, column C ..... L. _____

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

N. Amount of interest deductions indirectly attributable to subsidiary capital *(multiply line J by line M; enter here and on Form CT-3, line 5a)* ..... N. _____

Line 5b — Include all amounts of **noninterest** deductions that are **indirectly** attributable to subsidiary capital (or to income, gains, or losses from subsidiary capital) using *Line 5b Worksheet*.

Line 6 — Include all amounts deducted on your federal return for New York State taxes imposed under Article 9 (sections 183, 183-a, 184, 184-a), 9-A, 23, 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 tax or 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:

- 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 a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified 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 this year of either ACRS/MACRS property, or property for which you claimed a 30%/50%/100% federal special depreciation deduction, and the New York depreciation modifications applied to the property in any prior years.

If line 7 applies, enter the amount from Form CT-399, 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 Form CT-399, line 10, column A. Enter your allowable New York depreciation amount on line 14. For more information, see Form CT-399-I.

Line 8

If you have items that have not been included in FTI, but **must** be included in New York State ENI, and you have not already entered the amounts of these items on lines 2 through 7, enter the amount from Form CT-225, line 5.

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 State ENI.

Line 10 — If you have a subsidiary, complete Form CT-3-ATT, Schedule C and enter the amount from line 26. 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). Do not include foreign dividend gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

Line 11 — Enter 50% of the 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). Include 50% of the dividends received from a money market mutual fund included as investment capital (cash) on Form CT-3-ATT, line 6. Do not include the grossed-up dividends, under IRC section 78. For more information, see TSB-M-89(14)C, *50% Dividend Deduction to Conform with Federal Holding Periods*.

If you are a REIT or a RIC, you do not qualify for the 50% deduction for dividends received from nonsubsidiary stock (see 20 NYCRR sections 3-11.1(b) and 3-12.1(b)).

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

Line 13 — Enter the New York State NOL carried forward from prior years. Attach a separate sheet with full details of both federal and New York State NOLs claimed.

If the NOL is carried back for federal purposes, you must determine the New York State NOL carryforward deduction as if you had elected under IRC section 172 to relinquish the carryback provisions, except for the first $10,000 which you may carry back to the preceding years (section 208.9(f)).

These rules apply:

A. IRC section 172 federal losses must be adjusted in accordance with Article 9-A section 208.9(a), (b), and (g).

B. For NOLs incurred, refer to IRC section 172 for carryback and carryforward periods.

C. If you have elected to carry back an NOL for federal tax, you may carry back only the first $10,000 of an NOL to the preceding years; use an amended return to request a refund based on an NOL carryback.

D. Any portion of the $10,000 NOL not used as a carryback may be carried forward.

E. 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.

F. No deduction is allowed for an NOL sustained during any year in which the corporation was not subject to tax under Article 9-A.

G. The New York State net operating loss deduction (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 (see items C, D, and E).

H. 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)).

I. A REIT is allowed a deduction for NOLs.

J. These rules also apply to a federal S corporation not electing New York S corporation treatment, and to corporations included in a group reporting on a consolidated basis for federal tax but on a separate basis for purposes of Article 9-A. These corporations should compute their NOLs and NOLDs as if filing on a separate basis for federal income tax purposes. However, instead of a copy of the federal election to relinquish the carryback of a 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 an election with the Tax Department by the due date must carry the first $10,000 of the NOL back before the loss can be carried forward.

Note: Patronage-sourced NOLs cannot be used to reduce nonpatronage-sourced taxable income.

Line 14 — Use this line if:

- 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 a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified 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 this year of either ACRS/MACRS property, or property for which you claimed a 30%/50%/100% federal special depreciation deduction, and the New York depreciation modifications applied to the property in any prior years.

If line 14 applies, enter the amount from Form CT-399, line 3, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 10, column B, and attach the form. For more information, see Form CT-399-I.

Line 15 — If you have items that were included in FTI, but should **not** be included in New York State ENI, and you have not already entered the amounts of these items on lines 10 through 14, enter the amount from Form CT-225, line 10.

Lines 18 through 24 — ENI base

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

Use Schedule A, Part 1, 2, or 3, as applicable, to compute your business allocation percentage (BAP).

Use Form CT-3-ATT, Schedule B, Parts 1 and 2, to compute your investment income and investment allocation percentage.

Line 18 — Complete Form CT-3-ATT, Schedule B, Part 2, and enter the amount of your investment income from line 22. Do not enter more than the amount on line 17. If you had no investment income, enter ***0*** and do not use Form CT-3-ATT, Schedule B.

Line 21 — Multiply line 19 by your BAP from Schedule A, line 119, 121, or 141. If you claim a 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 ENI base.

Line 25 — ENI base tax computation

General business taxpayers

If you do not qualify as a small business taxpayer (as defined below), a qualified New York manufacturer (see line 165 instructions), an **eligible** qualified New York manufacturer (see line 165 instructions), or a qualified emerging technology company (QETC) (see line 168 instructions) multiply line 24 by 7.1% (.071). Enter the result on line 25 and line 72, then continue with line 26.

Small business taxpayer definition

A corporation qualifies as a small business taxpayer if:

— its ENI (before allocation) is not more than **$390,000**;

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

— the corporation is not part of an affiliated group, as defined in IRC section 1504, unless the group itself would have met the above criteria if it had filed a combined return.

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

Small business taxpayers

Complete lines 162 and 163 if you use the small business taxpayer tax rate.

If your ENI base is $290,000 or less, multiply line 24 by 6.5% (.065) and enter the result on line 25 and line 72, then continue with line 26.

If your ENI base is more than $290,000 but not over $390,000, your effective rate will be between 6.5% and 7.1%. Your tax is:

1. $18,850 ($290,000 times 6.5%), **plus**
2. 7.1% (.071) of any amount over $290,000, **plus**
3. 4.35% (.0435) of any amount over $350,000.

Use Worksheet A below to compute your tax:

Worksheet A

ENI base from line 24	_____	.....	A.	$18,850
Subtract	290,000			
Multiply balance.....	_____	by .071 = ...	B.	
Subtract	60,000			
Multiply balance.....	_____	by .0435 = ...	C.	
Add boxes A, B, and C; enter the result here and on lines 25 and 72			D.	

A small business taxpayer's tax on the ENI base will never exceed $27,690 for the tax period.

If you are a qualified New York manufacturer (see line 165 instructions), multiply line 24 by 0%. If you are an **eligible** qualified New York manufacturer (see line 165 instructions), multiply line 24 by 0%. If you are a QETC (see line 168 instructions), multiply line 24 by 5.9% (.059). Enter the result on lines 25 and 72, and continue with line 26. Mark an ***X*** in the applicable box on line 165 or line 168 to avoid an erroneous assessment or delayed refund.

Computation of capital base

Lines 26 through 40

To determine the value of your assets for the capital base computations, you must include real property and marketable securities at fair market value. You must include all other property at the value shown on your books in accordance with generally accepted accounting principles (GAAP). Use lines 28 and 29 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, enter the values at the beginning of the year in column A and at the end of the year in column B. Enter the average value in column C. 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.

Short periods — If a tax return is for a period of less than 12 months, determine the amount of business 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 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. For determination of fair market value of real property, see TSB-M-85(18.1)C, *Valuation of Real Property*.

Line 31 — Enter the amount of all liabilities 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 40 — Capital base tax computation — Multiply line 39 by the tax rate of .0015. Cooperative housing corporations multiply line 39 by .0004. If you are a qualified New York manufacturer (see line 164 instructions), multiply line 39 by the tax rate of .001362. Enter the result on line 73, but do not enter more than $350,000 if you are a qualified New York manufacturer and do not enter more than $1 million for all other taxpayers. Complete line 164 if you are claiming qualified New York manufacturer status for purposes of a lower capital base tax rate and limitation. If you have been taxable in New York State for less than two years, read the line 73 instructions to see if you qualify as a new small business corporation.

Note: All cooperative housing corporations must file Form TP-588, *Cooperative Housing Corporation Information Return,* twice a year. For more information, see the instructions on Form TP-588.

Line 41 — Your *issuer's allocation percentage* represents the amount of your capital employed within New York State compared to the total amount of capital employed everywhere. Every taxpayer using Form CT-3 should compute an issuer's allocation percentage. If you do not supply the information needed to compute your issuer's allocation percentage you may have to pay a **$500 penalty**.

To determine the percentage, add line 39 (capital base) and Form CT-3-ATT, Schedule C, line 29 (subsidiary capital base), then divide by the amount on line 32 (total capital). If you have no subsidiaries, divide the line 39 amount by the line 32 amount (see *Percentages*).

Computation of minimum taxable income (MTI) base

The calculation of 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 ANOLD. MTI is allocated by the use of an alternative BAP and the regular investment allocation percentage. See Article 9-A sections 208.8-B, 210.1(c), and 210.3-a, and TSB-M-90(13)C, *Computation of Minimum Taxable Income Base and Minimum Tax Credit*.

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.

Enter ***0*** on any line that does not apply to you. Show any negative amounts with a minus (-) sign.

Line 43 — If you are not required to complete Form CT-399, Part 4, enter the amount from federal Form 4626, line 2a.

If you were not required to file federal Form 4626, compute the amount that would have been reported on line 2a of that form.

If you are required to complete Form CT-399, Part 4, include the amount from Form CT-399, line 15 or 16.

Attach a copy of Form CT-399 or federal Form 4626 to your return.

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 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 46 — Enter the federal item of adjustment for adjusted gain or loss as determined under IRC section 56(a)(6) (from federal Form 4626), except 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 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 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 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 52 — Enter the federal item of preference for depletion as determined under IRC section 57(a)(1) (from federal Form 4626).

Line 53 — This line does not apply to the current tax year and has therefore been shaded.

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 56 — Enter the NOL deducted in the computation of the ENI base. This is the amount on Form CT-3, line 13. Include only the maximum amount permitted on Form CT-3, line 13; see line 13 instructions for Form CT-3.

Line 58 — Enter your ANOLD. Attach a separate sheet with full details of the New York State ANOLs claimed.

The ANOLD is determined in the manner described for line 13, for computing the regular NOLD, 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:** 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 ANOLs carrying into the ANOLD of any given year, the following rules apply:

A. Exclude losses from years when the taxpayer was not subject to Article 9-A.

B. ANOLs must be carried to the appropriate carry years, whether or not the tax on MTI is the largest tax for the particular carry year.

C. ANOLs must be carried using the conventions of IRC section 172(b)(2). The carryback should be exhausted in the earliest available carry year, except as provided in D and E.

D. The carryback of each ANOL is limited to $10,000, as is the case with the regular tax NOLD.

E. The federal election to forgo carryback of an NOL applies to the related New York ANOL.

F. 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 in G and H below.

G. The ANOLD is limited to 90% of MTI, computed without regard to the ANOLD.

H. The 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, *Computation of Minimum Taxable Income and Minimum Tax Credit*.

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.

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 — *Alternative investment income* is the sum of investment income and that portion of MTI that consists of income from investment capital that was not included in ENI.

Line 71 — If you are **not** an **eligible** qualified New York manufacturer, a qualified New York manufacturer or a QETC, multiply line 70 by 1.5% (.015). If you are an **eligible** qualified New York manufacturer (see line 166 instructions), multiply line 70 by .75% (.0075). If you are a qualified New York manufacturer or a QETC (see line 169 instructions), multiply line 70 by 1.362% (.01362). If your largest tax is based on the MTI base, you may be allowed a minimum tax credit in a future tax period. See Form CT-38, *Minimum Tax Credit.*

Computation of tax

Line 73 — Enter the tax computed on your capital base from line 40.

The tax on the capital base does **not** apply to a REIT, as defined in IRC section 856 that is subject to tax under IRC section 857, or a RIC, as defined in IRC section 851 that is subject to tax under IRC section 852 and they must enter ***0*** on line 73. A REIT or RIC filing federal Form 1120-REIT or 1120-RIC must also mark an ***X*** in the applicable box on line B on page 1 of the return to avoid an erroneous assessment or delayed refund.

A new small business corporation may claim an exemption from the tax on the capital base for its first two tax years if it meets the requirements below. If you are claiming this exemption, enter ***0*** on line 73 and mark the box indicating the year for which the exemption is taken. You will continue to be liable for the largest tax computed on lines 71, 72, or 74b, in addition to the tax on line 77. Attach a separate sheet covering all points listed below. If you do not supply the information, we will disallow the exemption.

Do not confuse this definition with the definition of a small business taxpayer on line 25.

To qualify, the corporation must meet the federal definition of a small business corporation (IRC section 1244(c)(3), disregarding the second sentence of subparagraph (A)). The requirements are:

— The total amount of money and other property the corporation received for stock, as a contribution to capital, and as paid-in surplus, may not be more than $1 million on the last day of its tax year.

— It cannot be similar in ownership and operation to a business now taxable or previously taxable under New York State Tax Law, Article 9 (section 183, 184, 185, or 186), 9-A, 22, 32, or 33 (or a business entity which had income or losses includable under Article 22 or which would have been taxable under former Article 23, unincorporated business tax, had that article not been repealed by the Laws of 1978).

— 90% of the corporation's assets and 80% of its employees must be located in New York State.

— It cannot have as a shareholder a corporation that owns over 50% of its voting stock, and that is taxable under Article 9 (section 183, 184, 185, or 186), 9-A, 32, or 33, unless the corporation itself qualifies as a small business corporation.

Line 74a — New York receipts — Enter your New York receipts. If you do not have New York receipts, enter ***0***.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on this line.

Include business 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 within New York State. These items can be found on federal Form 1120, *Income* section.

Under 20 NYCRR section 4-4.6(e), receipts from the sales of capital assets are not business receipts and are not included in New York receipts.

For a short period, annualize New York receipts by dividing by the number of months in the short period and multiplying the result by 12.

Line 74b — Fixed dollar minimum tax — The fixed dollar minimum tax is determined by the corporation's New York receipts.

Homeowners associations with no FTI are not subject to the fixed dollar minimum tax and must enter ***0***. A homeowners association filing federal Form 1120-H must also mark an ***X*** in the applicable box on the return, page 1, line B to avoid an erroneous assessment or delayed refund.

See Table 12, 13, or 14 of the *Tax rates schedule* 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* to determine the applicable fixed dollar minimum tax.

Qualified New York manufacturers, **eligible** qualified New York manufacturers, and QETCs must mark an ***X*** in the applicable box on line 166 or 169 to avoid an erroneous assessment or delayed refund.

Line 75 — Enter the amount from line 71, 72, 73, or 74b, 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 74b. If you qualify as **both** a small business taxpayer **and** either a qualified or **eligible** qualified New York manufacturer, or a QETC, you must use the small business taxpayer rate for purposes of ENI base in order to be exempt from the tax on the capital base under the small business taxpayer exception. Mark an ***X*** in the *Yes* box on line 162 to indicate that you are claiming small business taxpayer status (do **not** mark an ***X*** in the *Yes* box on line 165 or 168).

Qualified entity of a New York State innovation hot spot exception: If located solely within a hot spot and electing to be subject only to the fixed dollar minimum tax, enter only the amount from line 74b. Skip lines 76 and 77 and enter the line 74b amount on lines 78 and 81. Also complete lines 79 and 80. Mark an ***X*** in the *Yes* box at line 167 to indicate that you are making this election.

Taxable DISCs exception: Enter the larger of line 73 or 74b.

Line 79 — Complete line 100a and enter the total amount of the tax credits that you are claiming. If you are claiming more than one tax credit, see Form CT-600-I, *Instructions for Form CT-600*, for the order of application under Article 9-A. **Attach** copies of all forms and schedules used.

Line 82: The franchise tax is the larger of line 80 or 81 with two exceptions:

1. If the total on line 80 is less than the total on line 81 because of the application of the following tax credits that allow you to reduce your tax liability to an amount lower than the fixed dollar minimum:
   - the credit for servicing mortgages (available only to mortgage bankers);
   - the QEZE tax reduction credit of a taxpayer with a 100% zone allocation factor; or
   - the credit for taxicabs and livery service vehicles accessible to persons with disabilities,
   - the tax-free NY area tax elimination credit of a taxpayer with a 100% area allocation factor;
   - the tax-free NY area excise tax on telecommunications credit of a taxpayer with a 100% area allocation factor;
   - the real property tax credit for manufacturers;

then enter the amount from line 80.

2. If the total on line 80 is less than the total on line 81 because of the application of the following tax credits that allow you to reduce your tax liability to the **fixed dollar minimum**:
   - 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 empire zone employment incentive credit (EZ-EIC);
   - the Empire State film production credit;
   - the Empire State film post-production credit;
   - the Empire State commercial production credit;
   - the economic transformation and facility redevelopment program tax credit;
   - the Empire State jobs retention program credit;
   - the New York youth works tax credit;
   - the beer production credit;
   - the minimum wage reimbursement credit;
   - the tax-free NY area tax elimination credit of a taxpayer with less than a 100% area allocation factor;
   - the tax-free NY area excise tax on telecommunications credit of a taxpayer with less than a 100% area allocation factor;
   - the temporary deferral nonrefundable payout credit; or
   - the temporary deferral refundable payout credit,

then enter the larger of line 80 or 74b.

If you are a foreign authorized corporation that filed a return for a 12-month period, and the total of your New York State corporation taxes and MTA surcharge is less than $300, you must increase your payment so that the total corporation taxes and MTA surcharge equal $300. **Do not enter $300 on line 82; enter only the amount of tax calculated.** Include this amount (difference between $300 and the tax calculated) on line A on page 1 of Form CT-3.

Exception: Corporations that are accepted to locate in a tax-free NY area and are located exclusively within the state in a tax-free NY area approved pursuant to EDL Article 21, provided that the corporation satisfied the requirements in Tax Law, Article 1, section 39(a), are **not** required to increase their payment to $300 since they are not required to pay an annual maintenance fee.

If you are a foreign authorized corporation and filed a short period return, refer to *Short periods — fixed dollar minimum tax and maintenance fee,* in order to determine the minimum maintenance fee requirement.

Line 83b — If the tax on line 82 exceeds $1,000 and you did not file Form CT-5, a mandatory first installment is required for the period following the one that is covered by this return. If the tax on line 82 exceeds $1,000, but is not greater than $100,000, multiply the amount on line 82 by 25%. If the tax on line 82 exceeds $100,000, multiply the amount on line 82 by 40%.

Line 87 — Form CT-222, *Underpayment of Estimated Tax by a Corporation*, is filed by a corporation to inform the Tax Department that the corporation meets one of the exceptions to reduce or eliminate the underpayment of estimated tax penalty pursuant to Tax Law section 1085(d).

Lines 88 and 89 — If you are not filing this return on time, you must pay interest and additional charges. See *Penalties and interest*.

Lines 91a through 91f

If you want to make a contribution to *Return a Gift to Wildlife*, *Breast Cancer Research and Education Fund*, *Prostate and Testicular Cancer Research and Education Fund, National September 11 Memorial & Museum at the World Trade Center, Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund, Veterans Remembrance and Cemetery Maintenance and Operations Fund*, or all six, enter the whole dollar amount(s) on the appropriate line(s). Your gift will increase your payment or reduce your overpayment. You cannot change the amount of your gift after you file your return.

Line 91a — Return a Gift to Wildlife — Your contribution will benefit New York's fish, wildlife, and marine resources, and you can receive a free issue of *Conservationist* magazine. Call 1 800 678-6399 for your free sample issue. For more information about New York State's environmental conservation programs, go to *www.dec.ny.gov*. For information about *Conservationist*, go to *www.TheConservationist.org*.

Line 91b — Breast Cancer Research and Education Fund — Your contribution will support ground-breaking research and education in New York State to prevent, treat, and cure breast cancer. Help make breast cancer a disease of the past. For more information, go to *www.wadsworth.org/extramural/breastcancer*. New York State will match your contribution to the Breast Cancer Research and Education Fund, dollar for dollar.

Line 91c — Prostate and Testicular Cancer Research and Education Fund — Your contribution will advance prostate and testicular cancer research, support programs and education projects in New York State. New York State will match contributions to the Prostate and Testicular Cancer Research and Education Fund, dollar for dollar.

Line 91d — National September 11 Memorial & Museum at the World Trade Center *(9/11 Memorial)* — Your contribution will help create and sustain the National September 11 Memorial & Museum which will commemorate and honor the thousands of people who died in the attacks of September 11, 2001, and February 26, 1993. The Memorial and Museum will recognize the endurance of those who survived, the courage of those who risked their lives to save others, and the compassion of all who supported us in our darkest hours. Help New York State, the nation, and the world remember by making a contribution. For more information, go to *www.911memorial.org*.

Line 91e — Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund — Contributions to this fund will help recruit and retain the men and women who make up our volunteer fire and volunteer emergency medical services units. Volunteer firefighters and volunteer emergency services workers are crucial to the effective operation of a municipality and for the safety and well-being of the citizens of this state. Volunteer firefighters and volunteer emergency medical services workers provide invaluable benefits to their local communities. Despite their importance, the number of volunteer firefighters and volunteer emergency services workers has declined significantly over the past few years. For more information, go to *www.dhses.ny.gov/ofpc* or contact the State Office of Fire Prevention and Control at (518) 474-6746.

Line 91f — Veterans Remembrance and Cemetery Maintenance and Operation Fund *(Veterans Remembrance)* — Your contribution will help provide for the perpetual care of state veterans cemeteries. Contributions will be used for the purchase, leasing, and improvement of land for veterans cemeteries, the purchase and leasing of equipment and other materials needed for the maintenance of cemeteries, and other associated costs.

Line 94 — Unrequested refunds to be credited forward — If the corporation 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 on line 98. 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 95 through 98 — You may apply an overpayment 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 99a and 99b — If you request a refund of unused tax credits, enter the total amount on line 99a. If you request tax credits to be credited as an overpayment to next year's return, enter the total amount on line 99b.

Attach the appropriate tax credit forms. **Do not include** these amounts in the total credits claimed on lines 79, 100a, or 100b. For a listing of refund-eligible credits, see Form CT-600-I.

Summary of credits claimed on line 79 against current year's franchise tax

Mark an ***X*** in the applicable box(es) on Form CT-3 directly above line 100a if you are:

- claiming the QEZE tax reduction credit and you have a 100% zone allocation factor;
- claiming the tax-free NY area tax elimination credit and you have a 100% area allocation factor;
- claiming the tax-free NY area excise tax on telecommunications credit and you have a 100% area allocation factor.

Line 100a — Enter the amount of any tax credits that you are claiming on line 79 against your current year's franchise tax. For other credits not specified, enter the amount of credits being claimed in the *Other credits* box and include this amount in the total. Do not include any amount of tax credit requested as a refund on line 99a or requested as a tax credit to be credited as an overpayment to next year's return on line 99b. If you are required to recapture a tax credit that was allowed in a previous reporting period, and the result is a negative credit amount on your credit claim form, enter this negative amount, using a minus sign, in the applicable box.

Line 100b — Enter the amount of credits that are **refund-eligible** claimed on line 79 against your current year's franchise tax. Do not include any amount of credits actually requested as a refund on line 99a or requested as an overpayment credited to next year's tax on line 99b.

Refer to the individual credit forms and Form CT-600-I for refund eligibility.

Composition of prepayments on line 85 — 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 85.

Line 104 — Include overpayment credited from prior years. You may also include from last year's return any amount of refundable tax credits you chose to be credited as an overpayment.

Lines 108 and 109 — 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 (Article 9-A section 211.2-a). A penalty of $500 is imposed for failing to provide this information (section 1085(n)).

Schedule A — Computation of business allocation percentage and alternative business allocation percentage for MTI base

If you claim a BAP of 100%, you do not need to complete Schedule A. If you claim a BAP of less than 100%, you must complete Schedule A to allocate your business income and capital.

If you have both business and investment income or capital, you must complete Schedule A and Form CT-3-ATT, Schedule B, Parts 1 and 2.

Aviation corporations — Taxpayers principally engaged in the conduct of aviation (**except** air freight forwarders acting as principal and like indirect air carriers and qualified foreign air carriers), complete Part 1 to compute a BAP and an alternative BAP. Use this percentage to allocate business income, when determining both the ENI base and the MTI base, and to allocate business capital when computing the capital base.

Railroad and trucking corporations — Taxpayers principally engaged in the conduct of a railroad or trucking business, complete Part 2 to compute a BAP and an alternative BAP. Use this percentage to allocate business income when determining both the ENI base and the MTI base, and to allocate business capital when computing the capital base.

Air freight forwarders acting as principal and like indirect air carriers — Taxpayers principally engaged as air freight forwarders acting as principal and like indirect air carriers, complete Part 3 to compute a BAP and Part 4 to compute an alternative BAP. Use the BAP to allocate business income when computing the ENI base, and to allocate business capital when computing the capital base. Use the alternative BAP to determine the MTI base.

Qualified foreign air carriers — Taxpayers that are qualified foreign air carriers (see *Foreign airlines*), complete Part 3 to compute a BAP and Part 4 to compute an alternative BAP. Use the BAP to allocate business income when computing the ENI base, and to allocate business capital when computing the capital base. Use the alternative BAP computed in Part 4 to determine the MTI base. Foreign airlines should consult TSB-M-94(2)C, before completing these schedules.

All Article 9-A taxpayers (**except** taxpayers principally engaged in the conduct of a railroad or trucking business, taxpayers principally engaged in the conduct of aviation, air freight forwarders acting as principals or like indirect air carriers, or qualified foreign air carriers) **—** Complete Part 3, lines 129 through 136, to compute the BAP. The New York State receipts factor on line 136 is your BAP. Enter the amount from line 136 on line 141. Also complete Part 4, lines 149 through 156, to compute the alternative BAP. The New York State receipts factor on line 156 is your alternative BAP. Enter the amount from line 156 on line 161. Use the BAP to allocate business income when computing the ENI base, and to allocate business capital when computing the capital base. Use the alternative BAP to determine the MTI base.

Schedule A, Part 1 — Computation of business allocation percentage for aviation corporations

Taxpayers principally engaged in the conduct of aviation (**except** air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers) compute the BAP by averaging aircraft arrivals and departures, revenue tons handled, and operating revenue.

Enter the New York State amounts in column A and the total amounts in column B.

Line 112a — 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.

Line 114a — 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.

Line 116a — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

Schedule A, Part 2 — Computation of business allocation percentage for trucking and railroad corporations

Railroad and trucking corporations must allocate on a mileage basis using this schedule. The mileage allocation is a percentage based on revenue miles traveled within New York State, compared to total revenue miles traveled everywhere (exclude nonrevenue miles, such as deadheading miles).

Enter the New York State amounts in column A and the total amounts in column B.

Schedule A, Part 3 — Computation of business allocation percentage

The New York State receipts factor computed on line 136 is your BAP. However, **air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only** (see *Foreign airlines*) use a 50% weighted receipts factor, a 25% weighted property factor, and a 25% weighted payroll factor.

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 by using fair market value in Schedule A.

Lines 122 through 128 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers complete lines 122 through 128.

Line 122 — 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.

Line 123 — 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 or repairs), and amortization of leasehold improvements that revert to the lessor at the end of the lease.

Line 125 — 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.

Line 126 — 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 129 and 130 — Enter receipts from the sale of tangible personal property. Receipts from the 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, but 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 free on board (FOB) point.
- A purchase invoice designating the destination location.

Receipts of 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;

— 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.

Line 131 — Enter receipts for services performed, based on where they are performed.

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 — 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)). For more information, see TSB-M-88(9)C, *Allocation of Receipts from Services Provided to a Regulated Investment Company (Mutual Fund) and Similar Investment Companies*.

Receipts earned by registered securities or commodities broker or dealer — The rules below 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 BAP (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 (SEC) 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 in which the registered broker or dealer is acting as principal for its own account, rather than as an 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. The portion of principal transaction income of these brokers or dealers that is sourced to New York is based on a fraction, the numerator of which is the gross proceeds from principal transactions with New York customers, and the denominator of which is the gross proceeds from all principal transactions. Gross proceeds are determined without deduction for any cost incurred by the taxpayer to acquire the securities or commodities. For purposes of this calculation, the taxpayer must separately calculate gross income from principal transactions by type of security or commodity. For additional information, see TSB-M-02(5)C, *Summary of Corporation Tax Legislative Changes Enacted in 2002* and TSB-M-00(5)C, *Summary of Corporation Tax Legislative Changes Taking Effect in 2001 and After*.
- **Fees from advisory services for the underwriting of securities —** Fees earned from advisory services for a customer in connection with the underwriting of securities (where 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 a service performed 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 performed 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, as it appears in the broker's or dealer's records, is in New York State. For more information, see TSB-M-00(5)C pages 6 through 8.

Air freight forwarders

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

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

Transporting or transmitting gas through pipes

Allocate receipts from the service of transporting or transmitting gas through pipes to New York State using the following formula:

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

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

Line 132 – 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.

Line 133 — 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 occur in New York State.

Line 134 — Enter all other business receipts, allocated where earned.

Line 136 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, the result on line 136 is your BAP and must be entered on line 141. Do not complete lines 137 through 140.

Lines 137 through 140 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers are to complete these lines.

Line 137 — Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*) include an additional receipts factor in the computation of the BAP. Enter the New York State receipts factor computed on line 136.

Line 138 — Enter the total amount of all wages and 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 State 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.

Line 141 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, enter the New York State receipts factor as computed on line 136. The New York State receipts factor is your BAP.

Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*) divide line 140 by four. If 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 not missing merely because its numerator is zero, but a factor is missing if both the numerator (column A) and the denominator (column B) are zero.

Schedule A, Part 4 — Computation of alternative business allocation percentage for MTI base

The New York State receipts factor computed on line 156 is your alternative BAP. However, **air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only** (see *Foreign airlines*), use a 50% weighted receipts factor, a 25% weighted property factor, and a 25% weighted payroll factor.

Determine the factors using the same rules that apply to Part 3, except that any factor used to determine the alternative BAP must be adjusted to reflect modifications made in the computation of 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. Use the alternative BAP to determine the MTI base.

If you entered zeros on lines 43 through 50 and 52, 53, and 54, you may use the same percentages determined in Schedule A, Part 3.

If you made entries on lines 43 through 54 that altered an item used to compute the property or receipts factors in Schedule A, Part 3, you must make appropriate changes when determining the alternative BAP for allocating the alternative business income on line 66 and Form CT-38, line 6.

Lines 142 through 148 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers complete lines 142 through 148.

Lines 149 and 151 — For more information on allocation of receipts and services, see the instructions for lines 129, 130, and 131 and 20 NYCRR section 4-4.2.

Line 156 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, the result on line 156 is your alternative BAP and must be entered on line 161. Do not complete lines 157 through 160.

Lines 157 through 160 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers are to complete these lines.

Line 157 — Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*) include an additional receipts factor in the computation of the alternative BAP. Enter the New York State receipts factor computed on line 156.

Line 161 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, enter the New York State receipts factor as computed on line 156. The New York State receipts factor is your alternative BAP.

Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*) divide line 160 by four. If 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 not missing merely because its numerator is zero, but a factor is missing if both the numerator (column A) and the denominator (column B) are zero.

Lines 162 and 163 — Small business taxpayer — If you used the small business tax rate on line 25, you must mark an ***X*** in the *Yes* box on line 162 and complete line 163 to show that your corporation qualifies for the lower tax rate (see instructions for line 25). If you qualify, provide the information requested in this section. Use your federal balance sheet amounts for stock and other paid-in capital. Use the worksheet below to determine the amount to enter on line 163.

	No. of shares	Amount
Par value stock		
No-par value stock.....		
Contributions to capital and paid-in surplus.....		
Total capital contributions; enter on line 163		

Lines 164, 165, 166, 168, and 169

Note: Since the wording to questions on lines 164, 165, and 166 have changed and two new questions on lines 168 and 169 were added, it is now possible that you may have more than one *Yes* answer to these questions.

Line 164 — If you are claiming qualified New York manufacturer status (see below) for purposes of a lower capital base rate and limitation, you must mark an ***X*** in the *Yes* box.

Qualified New York manufacturer is a manufacturer (as described below) that has property in New York State that is principally used by the taxpayer in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, and either:

- the adjusted basis of the property for federal income tax purposes is at least $1 million at the close of the tax year; or
- all of its real and personal property is located in New York State.

A corporation qualifies as a manufacturer if during the tax year the taxpayer is **principally engaged** in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing. A taxpayer is *principally engaged* in manufacturing activities if during the tax year more than 50% of its gross receipts are derived from receipts for the sale of goods produced by these activities.

In addition, a taxpayer (or in the case of a combined report, a combined group), that does not satisfy the principally engaged test may be a qualified New York manufacturer if the taxpayer or the combined group employs during the tax year at least 2,500 employees for manufacturing in New York and the taxpayer or the combined group has property in the state used in manufacturing, the adjusted basis of which for federal income tax purposes at the close of the tax year is at least $100 million.

A qualified New York manufacturer also includes, for purposes of computing the tax on the capital base, a taxpayer that is a:

- QETC as defined under Public Authorities Law section 3102-e(1)(c), except that the $10 million limitation under section 3102-e(1)(c)(1) does not apply; and
- an **eligible** qualified New York manufacturer (see line 166 instructions).

Line 165 — If you are claiming qualified New York manufacturer, or **eligible** qualified New York manufacturer status (see above) for purposes of the 0% ENI tax rate, you must mark an ***X*** in the *Yes* box.

Note: For purposes of the tax on the ENI base, a QETC is not a qualified New York manufacturer (see line 168 instructions).

For purposes of the 0% ENI rate, the generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not considered manufacturing activities for purposes of the principally engaged test.

Line 166 — If you are claiming **eligible** qualified New York manufacturer status for purposes of a lower MTI rate, or a lower fixed dollar minimum, you must mark an ***X*** in the *Yes* box. For qualifying criteria, see TSB-M-13(1)C, *Article 9-A Tax Rates for Eligible Qualified New York Manufacturers*.

Line 168 — If you are claiming QETC status for purposes of the lower ENI rate, you must mark an ***X*** in the *Yes* box. For qualifying criteria, see Public Authorities Law section 3102-e(1)(c), without regard to the $10 million limitation.

Line 169 — For purposes of the MTI base and the fixed dollar minimum, see line 164 instructions for information on status as a qualified New York manufacturer or QETC. For this line, to qualify as a qualified New York manufacturer, the generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not considered manufacturing activities for purposes of the principally engaged test. **Do not** claim the MTI rate or the fixed dollar minimum available to **eligible** qualified New York manufacturers unless you meet the criteria in the line 166 instructions and have marked an ***X*** in the *Yes* box on line 166.

Line instructions for Form CT-3-ATT Schedules B, C, and D

Qualified entities in a New York State innovation hot spot

If you are a qualified entity of a New York State innovation hot spot that is located solely within a hot spot and is electing to be subject only to the fixed dollar minimum tax base, skip lines 8 through 26 and 29 through 45.

Schedule B, Part 1 — Computation of investment capital and investment allocation percentage

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 foregoing.
3. Qualifying corporate debt instruments (see Section 1 below).
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*), 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 a 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:

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

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

Schedule B, Part 1 categorizes investment capital into two sections:

- Section 1: Corporate and governmental debt instruments
- Section 2: Corporate stock, stock rights, stock warrants, and stock options

Schedule B, Part 1, Section 1 — Corporate and governmental debt instruments

Column A — List investments in governmental and qualifying corporate debt instruments (including certificates of deposit), and 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*.

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, if 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 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 may 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 above 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 Form CT-3-ATT, line 6 instructions.

Examples

1. *A calendar-year taxpayer owns a municipal bond with a maturity date of January 31, 2015. As of July 30, 2014, 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. Include the bond in Part 1, but in computing the average value of the bond and attributable liabilities, treat the taxpayer as no longer owning the bond on any date on or after July 30, 2014. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after July 29, 2014.*
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. Treat the renewal of the first four-month debt instrument 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 January 2, 2015. The taxpayer also owns corporate stock, but has no cash at any point during the 2014 tax year. The bond is deemed to be cash as of July 1, 2014, the date six months and one day prior to maturity. The fair market value of the bond is $95,000 on March 31, 2014, $90,000 on June 30, 2014, $98,000 on September 30, 2014, and $100,000 on December 31, 2014. List the bond in Section 1, column A, because it qualifies as investment capital. Compute its average value, stated in column C of Section 1, 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 September 30 and December 31. Compute the average value of the bond insofar as it is deemed to be cash 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 March 31 or June 30. The figures $98,000 and $100,000 represent the fact that the taxpayer is deemed to own cash in those amounts on September 30 and December 31, respectively. The taxpayer had liabilities attributable to the bond. Treat the amount of the liabilities in conformity with the above treatment of the value of the bond itself. Thus, the liabilities, which were $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 1, 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 election to treat the deemed cash as investment capital is not made, the $49,500, reduced by $3,500, would constitute business capital.*
4. *A taxpayer purchased a debt instrument, includable in Section 1, with a maturity date of December 15, 2014. Any such investment is 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 June 14, 2014.*

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 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 worksheet below 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.

Worksheet

Liabilities indirectly attributable to a particular asset

A. Total liabilities *(enter amount from Form CT-3, line 31, column C)*	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-ATT, line 7, column C)*	G.	
H. Average value of adjusted total assets *(enter amount from Form CT-3, line 30, column C)*	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.	

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 State 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 1 is 0%.

Issuer's allocation percentages are available on the Tax Department's Web site and from many online and printed tax services. You may also obtain up to three issuer's allocation percentages by calling (see *Need help?*).

Schedule B, Part 1, Section 2 – Corporate stock, stock rights, stock warrants, and stock options

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 under *Schedule B, Part 1— Computation of investment capital and investment allocation percentage.*

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

— business trust certificates;

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

— other corporate equity instruments similar to stock.

Columns C through F — See instructions for Schedule B, Part 1, Section 1, columns C through F.

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.

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 *Instruments deemed cash*.

Cash cannot be split between business capital and investment capital. You must treat cash as all business capital or all investment capital.

Schedule B, Part 2 — Computation of investment income before allocation

Investment income is income from investment capital to the extent it is included in ENI, minus any deductions allowable in computing ENI that are attributable to investment capital or investment income, and minus a portion of any NOLD allowable in computing ENI (see 20 NYCRR section 4-8.3).

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 services corporations (defined in Business Corporation Law (BCL) Article 15 or 15-A) must use an investment allocation percentage of 100% (Tax Law section 210.3(b)(3)).

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

Line 8 — Enter interest income received from investment capital listed in Schedule B, Part 1, Section 1, column A, to the extent included in ENI.

Line 9 — Enter interest income received from bank accounts (cash) if included on line 6. 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 5 is zero. In that case, allocate this interest by the BAP and include as part of business income.

Line 10 — Enter interest income from debt instruments deemed cash, including certificates of deposit, if included on line 6.

Line 11 — Enter dividend income received from investment capital listed in Schedule B, Part 1, Section 2, column A, or dividend income received from money market mutual funds included as cash on line 6, to the extent included in ENI. Include the following:

— 50% of dividends received from money market mutual funds included as cash on line 6. (Fifty percent of these dividends were deducted on Form CT-3, line 11).

— 50% of dividends received from nonsubsidiary stock which meets the holding requirements of IRC section 246(c). (Fifty percent of these dividends were deducted on Form CT-3, line 11).

— 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). For more information, see TSB-A-87(23.1)C, *American International Group, Inc*.

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

Line 12 — Enter any net capital gains or losses from the sale and exchange of securities constituting investment capital that were used in computing FTI.

Line 13 — Other items of investment income include but are not limited to, premium income from an unexercised covered call option, if the item that covers the call is an asset constituting investment capital.

Lines 15 through 18

Refer to TSB-M-95(2)C for information about lines 15 through 18.

Line 15 — Enter the amount of **interest** deductions allowable in the computation of ENI (that is, includable in the amount on *Line 17 worksheet*, line E) that are **directly** attributable to investment capital (or to income, losses, or gains from investment capital).

Line 16 — Enter the amount of **noninterest** deductions allowed in the computation of ENI (that is, includable in the amount on *Line 18 worksheet*, line E) that are **directly** attributable to investment capital (or to income, losses, or gains from investment capital).

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

— interest on debt incurred to buy 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 investment capital

— investment counsel fees

— custodian fees

— the cost of insurance and fidelity bonds covering investment capital

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

Do not include on lines 15 or 16 interest deductions or noninterest deductions that are **directly** attributable to:

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

— Business capital (or income, losses, or gains from business capital). **Note:** 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 of TSB-M-95(2)C.

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

Lines 17 and 18

Use the *Line 17 worksheet* and *Line 18 worksheet* before completing these lines.

Line 17 — Enter the amount of **interest** deductions that are **indirectly** attributable to investment capital, or to income, gains, or losses from investment capital, from *Line 17 worksheet*, line N.

If you completed the *Line 5a worksheet*, skip lines A through I on the *Line 17 worksheet*, and enter on line J the amount from the *Line 5a worksheet*, line J.

Line 17 worksheet

Interest deductions indirectly attributable to investment capital

A. Enter federal interest deduction shown on federal Form 1120 ..... A. _____

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

Enter the Form CT-3 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 must be subtracted from FTI in computing ENI: for example, the interest deductions taken in computing the amount on Form CT-3, line 2, or amounts related to foreign source income not shown on federal Form 1120.

Enter the Form CT-3 line number and amounts below:

Line # _____ Amount _____

Line # _____ Amount _____

Line # _____ Amount _____ Total D. _____

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

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

G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-ATT, line 15 ..... G. _____

H. Enter any interest deductions directly attributable to 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-ATT, line 7, column C ..... K. _____

L. Enter the amount from Form CT-3, line 30, column C ..... L. _____

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

N. Amount of interest deductions indirectly attributable to investment capital *(multiply line J by line M; enter this amount on Form CT-3-ATT, line 17)* ..... N. _____

Line 18 — Enter the amount of **noninterest** deductions that are **indirectly** attributable to investment capital, or to income, gains, or losses from investment capital, from *Line 18 worksheet*, line R.

If you completed the *Line 5b worksheet*, skip lines A through I on the *Line 18 worksheet,* and enter on line J the amount from the *Line 5b worksheet,* line J.

Line 21 — Apportion any NOLD claimed on Form CT-3, 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 and enter this amount.

Schedule C

Complete this schedule if you have any subsidiaries. A *subsidiary* is a corporation (except a DISC) of which the taxpayer owns more than 50% of the total number of shares of the corporation's voting stock, issued and outstanding. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books of the issuing corporation. *Actual beneficial ownership of stock* does **not** mean indirect ownership or control of a corporation through a structure consisting of several tiers and/or chains of corporations and/or partnerships.

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

Schedule C, Part 1 — Income from subsidiary capital

Lines 23, 24, and 25 — Enter interest, dividends, and capital gains from subsidiary capital. In addition, include on line 25 items such as collapsible corporation gain and sale of subsidiary capital that is not a capital asset for federal tax.

Schedule C, Part 2 — Computation and allocation of subsidiary capital base and tax

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, minus liabilities directly or indirectly attributable to subsidiary capital.

When computing the amount of indebtedness owed to the taxpayer by its subsidiaries, consider each subsidiary separately. You may offset loans and advances from the parent to the subsidiary by loans and advances from the same subsidiary to the parent, but they 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. You must reduce each item of subsidiary capital by any of the parent's liabilities that are directly or indirectly attributable to that item of subsidiary capital.

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

Column C — Enter the average value of each item of subsidiary capital. Average value is generally computed quarterly if your usual accounting practice permits it. 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 C worksheet* 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 C worksheet* and the amount of liabilities directly attributable to that asset.

Schedule C worksheet

Liabilities indirectly attributable to a particular asset

A. Total liabilities *(enter amount from Form CT-3, line 31, column C)* ..... 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-ATT, line 27, column C)* ..... G. _____

H. Average value of adjusted total assets *(enter amount from Form CT-3, line 30, column C)* ..... 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. _____

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 the instructions for Form CT-3-ATT, Schedule B, Part 1, Section 1, column F.

Line 30 — 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 eligible for this deduction.

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

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 D, Part 1.

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 only lines 40, 41, and 43.

Qualified power producers and qualified pipeline corporations must adjust ENI to reflect modifications for depreciation on transition property pursuant to Tax Law section 208.9(c-3). Complete Schedule D, Part 2.

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.

A public utility, power producer, or pipeline corporation that does not meet the above definitions is not required to make the 208.9(c-2) and (c-3) adjustments.

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 IRC section 167. 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 D, lines 40 and 41, for a basis adjustment that may inure from transition property.)

Book basis of transition property is the cost of the property minus the accumulated depreciation on the property determined on the taxpayer's books and records in accordance with GAAP.

New York basis of transition property is the cost of the property minus 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 Schedule D, line 37, for tax years after 2003, and Schedule E, line 63, for tax years 2000 through 2003.

Schedule D, Part 1 — Adjustments for qualified public utilities and transferees

Complete this part if you are a qualified public utility. Use lines 33 through 43 to compute the adjustments for 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 40, 41, and 43 to compute the adjustments for ENI.

Other additions

Line 33

Transition property — federal depreciation — Enter the amount deducted on your federal return for depreciation of transition property. See line 37 instructions to compute the New York depreciation deduction. Transition property is defined above.

Line 34

Transition property — federal loss — If transition property is sold or otherwise disposed of at a loss for federal income tax purposes, you must recalculate the amount of the loss 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 38 instructions to recalculate the loss for New York.

Line 35

Transition property — New York gain — If transition property of a nuclear electric generating facility is sold or otherwise disposed of at a gain for federal income tax purposes, you must recalculate the amount of the gain for New York using New York basis in place of federal tax basis for the property. However, this recalculation can 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 39 instructions to subtract the federal gain.

Other subtractions

Line 37

Transition property — New York depreciation — In place of the federal depreciation deduction entered on line 33, 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 where 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 38

Transition property — New York loss — In place of the federal loss entered on line 34, compute the New York loss on the sale or other disposition of transition property by using book basis instead of federal tax basis.

Line 39

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 35 instructions to recalculate the gain for New York.

Lines 40 and 41

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, to reduce the gain or increase the loss in a subsequent recognition transaction involving the property that was former transition property or the replacement property.

Line 40

Federal gain — If the former transition or replacement property of a nuclear electric generating facility is sold at a gain for federal income tax purposes, 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 property that was former transition property or the 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 41

Federal loss — If the former transition or the 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 the replacement property sold at a federal loss this year.

Line 42

Regulatory assets — Enter the amounts recognized as expenses on your books and records for the tax year that were recognized as expenses 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; (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 expenditures; and (c) such revenue is recognized for federal income tax purposes in the tax year.

Schedule D, Part 2 — 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 44 and 45 to compute the adjustments for ENI.

Other additions

Line 44 — Enter the amount deducted on your federal return for depreciation of transition property. Transition property is defined in the Schedule D instructions.

Other subtractions

Line 45 — In place of the federal depreciation deduction entered on line 44, 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 tax year that ends in 2000. The *New York State 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

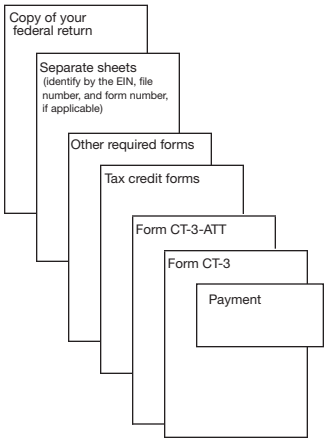
is placed in service). To compute the New York deduction, use net book value, the straight-line depreciation method, a 20-year life, and a salvage value of zero.

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 General Business Corporation Franchise Tax Return, be sure to:

- Read the instructions.
- Use the correct forms.
- Include your EIN and file number on each form filed.
- Have the appropriate individuals sign the completed return.
- Make your check or money order payable to: ***New York State Corporation Tax.***
- Attach Forms CT-3-ATT, CT-38, CT-225, and all other schedules you are required to file.
- Attach a complete copy of your federal return to Form CT-3 or CT-4.
- Attach the appropriate tax credit forms if you claimed any tax credits.
- If you are using tax software, attach a completed copy of Form CT-2, *Corporation Tax Return Summary*.
- Assemble your return and attachments this way:



For mailing address information, see *Where to file*.

Line 5b worksheet

Noninterest deductions indirectly attributable to subsidiary capital

A. Enter federal noninterest deductions included in total deductions from federal Form 1120. Do not include the federal NOL, special, or interest deductions. ..... A. _____

B. Enter the amounts of noninterest deductions included on line A that were allowed in the computation of FTI, but are not allowed in the computation of ENI (other than the amounts on Form CT-3, lines 4b and 5b). Include the New York State excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that amounts are subtracted in computing ENI for prior tax years that began on or after January 1, 1987.

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

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

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

D. Enter the amounts of noninterest deductions that were not allowed in the computation of FTI, but are allowed in the computation of ENI.

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

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

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

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

G. Enter noninterest deductions directly attributable to investment capital *(from Form CT-3-ATT, line 16)* ..... G. _____

H. Enter noninterest deductions directly attributable to 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 subsidiary capital. Gross income from subsidiary capital is that portion of total gross income consisting of dividends, interest, and gains (but not losses) from subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-ATT, line 26, and add back any losses used to compute the amount of capital gains from subsidiary capital on Form CT-3-ATT, line 25. Also include any amount of foreign dividend gross up from subsidiary capital that was included on Form CT-3, line 12. ..... 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 ..... L. _____

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

N. Enter amount from Form CT-3-ATT, line 27, column C .... N. _____

O. Enter amount from Form CT-3, line 30, column C ... O. _____

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

Q. 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 2 ..... _____ %

b. Enter percentage from line P ..... _____ %

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

d. Subsidiary capital percentage *(divide line c by 3)* ..... Q. _____ %

R. Amount of noninterest deductions indirectly attributable to 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 Form CT-3, line 5b.)* ..... R. _____

(continue with Form CT-3, line 6 instructions)

Line 18 worksheet

Noninterest deductions indirectly attributable to investment capital

A. Enter federal noninterest deductions included In total deductions from federal Form 1120. Do not include the federal NOL, special, or interest deductions ..... A. _____

B. Enter the amounts of noninterest deductions included on line A that were allowed in the computation of FTI, but are not allowed in the computation of ENI (other than the amounts on Form CT-3, lines 4b and 5b). Include the New York State excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts are subtracted in computing ENI for prior tax years that began on or after January 1, 1987.

Enter the Form CT-3 line number and amounts below.

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

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

D. Enter the amounts of noninterest deductions that were not allowed in the computation of FTI, but are allowed in the computation of ENI.

Enter the Form CT-3 line number and amounts below.

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

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

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

G. Enter noninterest deductions directly attributable to investment capital *(from Form CT-3-ATT, line 16)* ..... G. _____

H. Enter noninterest deductions directly attributable to 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 investment capital. *Gross income from 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 total investment income reported on Form CT-3-ATT, line 14, and add back any dividends excluded on Form CT-3, line 11, and any losses used to compute the amount of capital gains from investment capital on Form CT-3-ATT, line 12. ..... 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..... L. _____

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

N. Enter amount from Form CT-3-ATT, line 7, column C..... N. _____

O. Enter amount from Form CT-3, line 30, column C ... O. _____

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

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

a. Enter percentage from line M _____ %; multiply by 2 ..... _____ %

b. Enter percentage from line P ..... _____ %

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

d. Investment capital percentage *(divide line c by 3)* ..... Q. _____ %

R. Amount of noninterest deductions indirectly attributable to investment capital *(Multiply line J by the percentage from line Q or, if you made an election to use the asset percentage, by the percentage from line P. Enter this amount on line 18 of Form CT-3-ATT.)* ..... R. _____

(continue with Form CT-3-ATT, line 21 instructions)