



Instructions for Form IT-205 Fiduciary Income Tax Return New York State • New York City • Yonkers

Form IT-205 highlights for tax year 2014

General changes

- **Yonkers resident income tax surcharge**

The Yonkers resident income tax surcharge has increased from 15% to 16.75%.

- **START-UP NY program**

The START-UP NY program provides tax benefits to approved businesses that have located within tax-free NY areas and for certain employees of these businesses. The program is administered by Empire State Development (ESD). See our Web site for more information.

- **New reporting method for *other* addition and subtraction modifications**

Taxpayers must now report the identifying information for *other* addition and subtraction modifications included in the New York fiduciary adjustment using new Form IT-225, *New York State Modifications*. The total amount of other additions and other subtractions will continue to be reported on Form IT-205, lines 65 and 68. However, the description and individual amounts for these modifications will no longer be shown in the *Identify* area of these lines but on Form IT-225. See page 3, Form IT-225, and its instructions.

- **Additional minimum personal income tax repealed**

The New York State and New York City additional minimum personal income taxes have been repealed. Therefore, Form IT-220, *Minimum Income Tax*, is obsolete for tax years beginning on or after January 1, 2014.

- **Cost of living adjustment**

The New York State tax rate schedules have been adjusted to reflect the cost of living adjustment required under the Tax Law.

- **Public Trust Act**

Any taxpayer who is convicted, or a shareholder of an S corporation or partner in a partnership which is convicted, of an offense defined in New York State Penal Law Article 200 (*Bribery Involving Public Servants and Related Offenses*) or 496 (*Corrupting the Government*), or section 195.20 (*Defrauding the Government*), is not eligible for any tax credit allowed under Tax Law Article 9, 9-A, 32, or 33, or any business tax credits allowed under Tax Law Article 22. A *business tax credit allowed under Article 22* is a tax credit allowed to taxpayers under Article 22 that is substantially similar to a tax credit allowed to taxpayers under Article 9-A. See *Limitation on tax credit eligibility* on page 7.

Changes to existing credits

- **Accumulation distribution credit**

The accumulation distribution credit for resident beneficiaries has been expanded to include a credit for income tax paid by the trust to another state, political subdivision, or the District of Columbia. See page 5.

- **Empire State commercial production credit**

This credit has been extended through tax year 2016. Visit www.nylovesfilm.com and see Form IT-246, *Claim for Empire State Commercial Production Credit*, for information about this credit.

- **Youth works tax credit**

The New York Youth Works Tax Credit Program has been extended and expanded. See Form IT-635, *New York Youth Works Tax Credit*. For more information about the program, see the New York State Department of Labor Web site www.labor.ny.gov.

New credits

- **START-UP NY tax elimination credit**

A new credit is available to approved businesses located in a tax-free NY area. The credit is based on the business's economic presence in the tax-free NY area. See Form IT-638, *START-UP NY Tax Elimination Credit*, and its instructions.

- **START-UP NY telecommunication services excise tax credit**

A new credit is available to approved businesses located in a tax-free NY area that paid excise tax on telecommunication services. See Form IT-640, *START-UP NY Telecommunication Services Excise Tax Credit*, and its instructions.

- **Manufacturer's real property tax credit**

A new credit, equal to 20% of the real property taxes paid, is available to qualified New York manufacturers. The New York real property must be owned by the manufacturer and principally used for manufacturing. See Form IT-641, *Manufacturer's Real Property Tax Credit*, and its instructions.

- **General corporation tax (GCT) credit**

A new credit is available to shareholders (or the beneficiary of an estate or trust that is a shareholder) of a New York City business who paid New York City GCT. See Form IT-222, *General Corporation Tax Credit*, and its instructions.

- **Hire a veteran credit**

A new credit is available to a business that hires a qualified veteran on or after January 1, 2014. The credit may be claimed for tax years beginning on or after January 1, 2015, but before January 1, 2017. For more information, see TSB-M-13(9)C, (8)I.

- **Minimum wage reimbursement credit**

A new refundable credit is available to a business that hires an eligible employee who is paid minimum wage during all or part of the tax year. See Form IT-639, *Minimum Wage Reimbursement Credit*, and its instructions.

New and revised income modifications

• Incomplete gift non-grantor trust

A new addition modification must be made if you transferred property to an incomplete gift non-grantor trust for the income of the trust. A new subtraction modification is allowed to a beneficiary for income received from an incomplete gift non-grantor trust that terminated and distributed all assets before June 1, 2014. See TSB-M-14(3)I and the instructions for Form IT-225.

• Addition modification for manufacturer real property taxes

A new addition modification must be made for any federal deduction for real property taxes if you also claimed the real property tax credit for manufacturers. See the instructions for Form IT-225.

• Addition modification for excise tax on telecommunication services

A new addition modification must be made for any federal deduction for excise taxes on telecommunication services if you also claimed the START-UP NY telecommunication services excise tax credit. See the instructions for Form IT-225.

• START-UP NY wages

A new subtraction modification is allowed to an eligible employee working for an approved START-UP NY business. See TSB-M-13(6)I, the instructions for Form IT-225, and our Web site.

• Small business modification

A new subtraction modification is allowed for a farm business or small business that employs one or more persons during the tax year, and has net farm or small business income of greater than zero but less than \$250,000. See the instructions for Form IT-225.

- incurred a net operating loss for New York State income tax purposes for the tax year without incurring a net operating loss for federal income tax purposes.

Income from New York State sources includes income or gains from:

- real or tangible personal property located in New York State (including certain gains or losses from the sale or exchange of an interest in an entity that owns real property in New York State);
- a business, trade, profession, or occupation carried on in New York State;
- services performed in New York State;
- lottery winnings over \$5,000 won in the New York State lottery on or after October 1, 2000; and
- the sale, transfer, or other disposition of shares of stock in a cooperative housing corporation in connection with the grant or transfer of a proprietary leasehold when the real property comprising the units of the cooperative housing corporation is located in New York State.

It does not include:

- annuities, interest, dividends, or gains from the sale or exchange of intangible personal property, unless they are part of the income from a business, trade, profession, or occupation carried on in New York State; or
- compensation received in respect of a nonresident decedent for active service in the military forces of the United States.

Form IT-205-A, *Fiduciary Allocation*, must be completed and submitted with a Form IT-205 that is filed for (1) a nonresident estate or trust having income derived from New York State sources, (2) a part-year resident trust, or (3) a resident estate or trust with a New York State nonresident beneficiary (except as noted under *New York State forms to be filed* on page 3). See *Need help?* on page 17 for information on how to get forms.

If a **Yonkers nonresident estate** or trust has income from wages earned or net earnings from self-employment in Yonkers, the fiduciary of the estate or trust must complete Form Y-206, *Yonkers Nonresident Fiduciary Earnings Tax Return*, and submit the form with the New York State fiduciary return, Form IT-205.

New York State resident and nonresident estate and trust and part-year resident trust defined

For purposes of the **New York State** income tax, an estate is either (a) a resident estate or (b) a nonresident estate. A trust is either a resident trust, nonresident trust, or part-year resident trust. If a decedent was domiciled in New York State at the time of his or her death, his or her estate is a **resident estate** and any trust created by his or her will is a **resident trust**. If an irrevocable trust consists of property of a person domiciled in New York State when such property was transferred to the trust, it is a **resident trust**.

However, no New York State personal income tax may be imposed on a resident trust if all of the following conditions are met (New York State Tax Law, Article 22, section 605(b)(3)(D)).

1. All the trustees are domiciled in a state other than New York;
2. The entire corpus of the trust, including real and tangible personal property, is located outside of New York State (it is the Tax Department's position that intangibles located in the state but that are not employed in a business carried on in the state are not deemed to be located in the state for purposes of this rule); and
3. All income and gains of the trust are derived from, or connected with, sources outside of New York State, determined as if the trust were a nonresident trust. **Note:** If the estate or trust sold or exchanged its interest in an entity that owns real property in New York State, the estate or trust may have income from New York State sources. For additional information, see TSB-M-09(5)I, *Amendment to the Definition of New York Source Income of a Nonresident Individual*.

General instructions

Who must file

The fiduciary of a **New York State resident** estate or trust must file a return on Form IT-205 if the estate or trust:

- is required to file a federal income tax return for the tax year;
- had any New York taxable income for the tax year; or
- is subject to a separate tax on lump-sum distributions.

If the fiduciary of a **New York City resident** estate or trust is required to file a New York State fiduciary return, the New York City income tax liability is based on the same taxable income as for New York State tax purposes and must be reported on the state return as explained in the New York City instructions beginning on page 14.

If the fiduciary of a **Yonkers resident** estate or trust is required to file a New York State return, the Yonkers tax liability is based upon the New York State tax liability and must be reported on the state return as explained in the Yonkers instructions beginning on page 14.

The fiduciary of a **New York nonresident** estate or trust or part-year resident trust must file a return on Form IT-205 if the estate or trust:

- had income derived from New York State sources and had New York adjusted gross income (NYAGI);
- is subject to a separate tax on lump-sum distributions; or

Form IT-205-C, New York State Resident Trust Nontaxable Certification, must be completed and submitted every year with a Form IT-205 that is filed for a resident trust that meets the conditions in section 605(b)(3)(D). See *New York State forms to be filed* below. See *Need help?* on page 17 for information on how to get forms.

For every year that the resident trust meets the conditions of Tax Law, Article 22, section 605(b)(3)(D), complete and file Form IT-205 as follows:

- Mark an **X** in the box, *Trust meets the conditions of section 605(b)(3)(D)*.
- Complete Schedules A, B, and C of Form IT-205.
- Complete and submit Form IT-205-C, *New York State Resident Trust Nontaxable Certification*, with Form IT-205.

Instructions for Form IT-205-C

Line A – An incomplete gift non-grantor trust means a resident trust that meets both of the following conditions:

- the trust does not qualify as a grantor trust under Internal Revenue Code (IRC) sections 671 through 679, and
- the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC section 2511 and the regulations applicable to that section.

If you answer *Yes*, then the taxpayer who transferred property to the incomplete gift non-grantor trust must include the income of the trust, less any deductions of the trust, in their NYAGI as if the trust in its entirety were treated as a grantor trust for federal tax purposes.

However, the income of an incomplete gift non-grantor trust will not be required to be included in the grantor's or beneficiaries' NYAGI if the trust was terminated and all assets were distributed before June 1, 2014.

The term *resident trust* also includes (1) any revocable trust consisting of property of a person domiciled in New York State at the time such property was transferred to the trust if it has not later become irrevocable and (2) any revocable trust that has later become irrevocable if the trust consists of property of a person domiciled in New York State when it became irrevocable. For this purpose, a trust is revocable if it is subject to a power, exercisable immediately or at any future time, to revest title in the person whose property constitutes the trust. A trust becomes irrevocable when the possibility that such power may be exercised has ended.

A *nonresident estate or trust* means an estate or trust that is not a resident for any part of the year.

A *part-year resident trust* is a trust that meets the definition of resident or nonresident for only part of the year.

The residence of the fiduciary does not affect the status of an estate or trust as resident or nonresident.

Change of New York State residence of trust

If the person whose property constitutes a revocable trust has changed his or her domicile from or to New York State, between the time of transfer of the property to the trust and the time it becomes irrevocable, the residence of the trust will be deemed to have been changed at the date it ceases to be revocable. In that case the fiduciary must, for the tax year in which the change of status of the trust occurs, file Form IT-205-A.

The New York source income of a part-year resident trust is the sum of the following with adjustments for special accruals:

- the fiduciary's share of federal adjusted gross income for the period of residence, computed as if the tax year for federal income tax purposes were limited to the period of residence, and
- the fiduciary's share of New York source income for the period of nonresidence determined as if the tax year for federal income tax purposes were limited to the period of nonresidence.

New York State forms to be filed

Complete Forms IT-205 and IT-205-A for **New York State** resident and nonresident estates and trusts and part-year resident trusts, as follows:

- **Resident estate or trust with resident beneficiaries only**
Complete all of Form IT-205 and submit a copy of federal Schedule K-1 for each beneficiary.
- **Resident estate or trust with any nonresident beneficiaries**
 - Complete all of Form IT-205 and submit a copy of federal Schedule K-1 for each beneficiary.
 - Report in Schedule C of Form IT-205 the names and addresses of all beneficiaries, both resident and nonresident, to whom income is distributable, whether or not the income is taxable to the nonresident beneficiaries.
 - Complete Schedules 2, 3, and 4 of Form IT-205-A and any of Schedules 5, 6, 7, and 8 of Form IT-205-A that apply, unless **none** of the income distributable to the nonresident beneficiaries is derived from **New York State** sources. In this case, Form IT-205-A does not need to be completed even though **other** income is distributable to nonresident beneficiaries.
If Form IT-205-A is not required because of the above, include a statement indicating this with Form IT-205.
- **Nonresident estate or trust and part-year resident trust with resident or nonresident beneficiaries**
 - Complete items A, B, and C, line 1 and lines 9 through 42 on the front page, and Schedules B and C of Form IT-205.
 - Complete Schedules 1, 2, 3, and 4 of Form IT-205-A.
 - Complete any of Schedules 5, 6, 7, and 8 of Form IT-205-A that apply.
 - Complete and submit Form IT-182, *Passive Activity Loss Limitations*, if the estate or trust had passive activity losses.

Special rule if entire income is taxable to fiduciary – If all of the income of the estate or trust is taxable to the fiduciary for the 2014 tax year, no entries are required in Schedule C of Form IT-205.

Form IT-205-C, New York State Resident Trust Nontaxable Certification – Complete Form IT-205-C only for New York State resident trusts every year that the trust meets the conditions in section 605(b)(3)(D).

Form IT-225, New York State Modifications – Complete Form IT-225 to report **other** New York fiduciary adjustments to be claimed on Form IT-205, lines 65 and 68, as applicable. For more information, see the instructions for Form IT-225.

Form IT-230, Separate Tax on Lump-Sum Distributions – If the estate or trust is a recipient of a lump-sum distribution from a qualified retirement plan, compute this separate tax on the ordinary income portion using the New York forward averaging method on Form IT-230.

New York State tax returns for individuals – Every fiduciary in charge of an individual's entire income (for example, a guardian or committee for an incompetent person) must file a return (1) for a resident individual - on Form IT-201, *Resident Income Tax Return*, if a federal income tax return is required to be filed for the tax year or if the individual has federal adjusted gross income for the tax year, increased by the modifications under section 612(b), in excess of \$4,000 or in excess of his or her New York standard deduction, if lower; or (2) for a nonresident individual - on Form IT-203, *Nonresident and Part-Year Resident Income Tax Return*, if the individual has income from New York sources and the nonresident individual's New York adjusted gross income (*Federal amount* column) is more than his or her New York standard deduction. In these cases, the fiduciary must pay the tax due. Returns are also required if the individual is subject to a separate tax on the ordinary income portion of a lump-sum distribution.

Tax returns for decedents – A return must be filed by the executor, administrator, or other representative of a taxpayer who died during the tax year. Use the form that would have been appropriate had the taxpayer lived. (See *New York State tax returns for individuals* on page 3 for requirements for filing.)

Form ET-90, New York State Estate Tax Return – For estates of decedents whose date of death is after May 25, 1990, and before February 1, 2000. See the instructions for Form ET-90 for filing information on these estates.

Form ET-706, New York State Estate Tax Return – For estates of decedents whose date of death is on or after February 1, 2000, and before April 1, 2014.

New York residents – The estate of every individual whose date of death is on or after February 1, 2000, and before January 1, 2004, and who was a resident of New York State at the time of death must file a New York State estate tax return if the estate is required to file a federal estate tax return, Form 706.

For a date of death on or after January 1, 2004, and before April 1, 2014, the estate must file a New York State estate tax return if the total of the federal gross estate, plus the federal adjusted taxable gifts and specific exemption, exceeds \$1,000,000.

New York nonresidents – The estate of an individual whose date of death is on or after February 1, 2000, and before January 1, 2004, and who was **not** a resident of New York State at the time of death must file a New York State estate tax return if the estate includes real or tangible personal property having an actual situs in New York State, and the estate is required to file a federal estate tax return, either federal Form 706 or Form 706-NA.

The estate must also submit a completed Form ET-141, *New York State Estate Tax Domicile Affidavit*.

An estate of an individual who died on or after January 1, 2004, and before April 1, 2014, and who was either a resident or citizen of the United States at the time of death, must file a New York State estate tax return if the estate includes real or tangible personal property having an actual situs in New York State and the gross estate, plus federal adjusted taxable gifts and specific exemption, exceeds \$1,000,000.

An estate of an individual who died on or after January 1, 2004, and before April 1, 2014, and who was a nonresident of the United States and not a U.S. citizen at the time of death, must file a New York State estate tax return if the estate includes real or tangible personal property having an actual situs in New York State and is required to file a federal return.

Form ET-706, New York State Estate Tax Return – For estates of decedents whose date of death is on or after April 1, 2014.

New York residents – The estate of an individual whose date of death is on or after April 1, 2014, and who was a New York resident at the time of death must file a New York State estate tax return if the federal gross estate (increased by the amount of any gifts includible in his or her New York gross estate) exceeds the basic exclusion amount applicable to the date of death.

New York nonresidents – The estate of an individual whose date of death is on or after April 1, 2014, and who was **not** a New York resident at the time of death must file a New York State estate tax return if the federal gross estate (increased by the amount of any gifts includible in the New York gross estate) exceeds the basic exclusion amount applicable to the date of death, and the estate included any real or tangible property located in New York State.

For additional information, visit our Web site at www.tax.ny.gov.

Exempt trusts

A trust that is taxable as a corporation for federal income tax purposes is exempt from New York State personal income tax under Article 22. A trust that, by reason of its purposes or activities, is exempt from federal income tax is exempt from tax under Article 22 (regardless of whether it is subject to federal and state income tax on unrelated business taxable income).

When to file Form IT-205

For calendar-year filers, the filing deadline is April 15, 2015. For returns filed for a period other than the calendar year, the due date is the 15th day of the fourth month following the close of the tax year.

The New York State filing deadline for a nonresident alien's estate or trust is the same as for federal purposes.

Note: The 2014 Form IT-205 may also be used for a tax year beginning in 2015 if:

1. The estate or trust has a tax year of less than 12 months that begins and ends in 2015; **and**
2. The 2015 Form IT-205 is not available by the time the estate or trust files its tax return. However, the estate or trust must show its 2015 tax year on the 2014 Form IT-205, and incorporate any Tax Law changes that are effective for tax years beginning after December 31, 2014.

The current year tax forms are generally available by December 15th of that calendar year. Check the Tax Department Web site (at www.tax.ny.gov) for the current year's tax forms.

Extension of time to file

If the estate or trust cannot meet the filing deadline, ask for an extension of time by filing Form IT-370-PF, *Application for Automatic Extension of Time to File for Partnerships and Fiduciaries*. The time to file will be automatically extended for five months if the estate or trust files Form IT-370-PF on time and, if required, pays the tax the estate or trust owes with Form IT-370-PF.

Internet application – Extension requests may also be filed via the internet; access the Tax Department Web site for information or to submit an extension request.

If you use a delivery service other than the U.S. Postal Service to file an extension, use the private delivery address shown in the instructions for filing Form IT-370-PF.

Where to file

If enclosing a payment (check or money order), mail your return and Form IT-205-V, *Payment Voucher for Fiduciary Income Tax Returns*, to:

**STATE PROCESSING CENTER
PO BOX 15555
ALBANY NY 12212-5555**

If not enclosing a payment, mail your return to:

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

Private delivery service – See Publication 55, *Designated Private Delivery Services*.

Estimated income tax payments

Generally, a trust or estate must pay estimated income tax if it expects to owe, after subtracting any withholding, estimated income tax paid with Forms IT-2663 and IT-2664, and credits, at least \$300 of New York State, New York City, or Yonkers income tax for 2015 and it expects the withholding, estimated income tax paid with Forms IT-2663 and IT-2664, and credits to be less than:

1. 90% of the tax shown on the 2015 tax return, **or**
2. 100% of the tax shown on the 2014 tax return (110% of that amount if the estate's or trust's New York adjusted gross income on that return is more than \$150,000, and less than $\frac{2}{3}$ of the total federal gross income for 2014 or 2015 is from farming or fishing).

However, if the estate or trust did not file a 2014 tax return or that return did not cover all 12 months, item 2 above does not apply.

Estates (and any trusts that were treated as owned by the decedent and that received the residue of a decedent's estate under the will, or if no will is admitted to probate, were primarily responsible for paying debts, taxes, and other expenses of administration) are exempt from paying estimated income tax payments for the tax year of the decedent's death and the following tax year.

Exceptions – Generally, the estate or trust will not have to pay estimated tax if its 2015 income tax return will show (1) a tax refund, or (2) a tax balance due of less than \$300 for New York State, New York City, or Yonkers.

Use Form IT-2106, *Estimated Income Tax Payment Voucher for Fiduciaries*, and instructions, Form IT-2106-I, to determine and pay any amount of estimated tax required.

Payments of estimated tax treated as paid by the beneficiary (Tax Law section 685(c)(6)(D) or (F) election, as applicable) –

Fiduciaries of both estates and trusts that pay estimated tax may elect to have any portion of estimated tax payments allocated to any of the beneficiaries. Fiduciaries making this election must file Form IT-205-T, *Allocation of Estimated Tax Payments to Beneficiaries*, to show the allocation of any estimated tax payment among the beneficiaries. **Note:** The fiduciary of an estate may make a section 685(c)(6)(F) election only for the last tax year of the estate. Amounts applied to each beneficiary should be reported on Form IT-205-T. Be sure to copy the name, address, and employer identification number of the estate or trust exactly as reported on Form IT-205. Amounts applied to each beneficiary are treated as paid or credited to the beneficiary on the last day of the fiduciary's tax year and treated as a payment of estimated tax made by the beneficiary that would otherwise be due January 15, 2015. The fiduciary may make the election only if the Form IT-205-T is filed on or before the 65th day after the close of the fiduciary's tax year. An extension of time to file Form IT-205 does not extend the filing deadline for Form IT-205-T.

Signature area

Sign and date Form IT-205 at the bottom. The return cannot be processed if it is not signed.

Enter the daytime telephone number including the area code.

This entry will enable the Tax Department to correct minor errors or omissions by calling rather than writing or sending back the return.

Keep a copy of the return for future reference. If someone prepares the return for the estate or trust, be sure to get a copy for the estate or trust records.

Third-party designee

If you want to authorize another individual (third-party designee) to discuss this tax return with the New York State Tax Department, mark an **X** in the **Yes** box in the third-party designee area of your return. Also print the designee's name, phone number, and any five-digit number the designee chooses as his or her personal identification number (PIN). If you want to authorize the paid preparer who signed your return to discuss the return with the Tax Department, print the preparer's name in the space for the

designee's name and enter the preparer's phone number in the space for the designee's phone number. You do not have to provide the other information requested. If you do not want to authorize another person, mark an **X** in the **No** box.

If you mark the **Yes** box, you are authorizing the Tax Department to discuss with the designee any questions related to this return. You are also authorizing the designee to give and receive confidential taxpayer information relating to:

- this return, including missing information,
- any notices or bills arising from this filing that you share with the designee (they will not be sent to the designee),
- any payments and collection activity arising from this filing, and
- the status of your return or refund.

This authorization will not expire but will only cover matters relating to this return. If you decide to revoke this designee's authority at any time, call us (see *Need help?* on page 17).

You are not authorizing the designee to receive your refund, bind you to anything (including any additional tax liability), or otherwise represent you before the Tax Department. If you want someone to represent you or perform services for you beyond the scope of the third-party designee, you must designate the person using another method such as Form DTF-280, *Tax Information Authorization*, or a power of attorney.

Paid preparers

Anyone you pay to prepare your return must sign it and fill in the other information in the paid preparer's area of your return. If someone prepares your return and does not charge you, that person should not sign it.

Paid preparer's responsibilities – Under the law, all paid preparers must sign and complete the paid preparer section of the return. Paid preparers may be subject to civil and/or criminal sanctions if they fail to complete this section in full.

When completing this section, you must enter your New York tax preparer registration identification number (NYTPRIN) if you are required to have one. Also, you must enter your federal preparer tax identification number (PTIN) if you have one; if not, you must enter your social security number.

Special depreciation – Section 612(g) of the Tax Law

The estate or trust may elect to deduct depreciation not in excess of twice that allowed for federal purposes on certain property acquired before 1969 (see Form IT-211-I, *Instructions for Form IT-211, Special Depreciation Schedule*).

Accumulation distribution credit

A beneficiary whose New York source income includes an accumulation distribution from a trust is allowed a tax credit on his or her New York State individual income tax return for their share of:

- New York State income taxes paid by the trust,* and
- Any income tax imposed on the trust by another state, political subdivision within that state, or the District of Columbia on income sourced to the other jurisdiction.* However, this credit cannot be more than the percentage of tax due determined by dividing the portion of the income taxable to the trust in the other jurisdiction and taxable to the beneficiary in New York by the beneficiary's total New York income.

The credit may not reduce the beneficiary's tax due to an amount less than would have been due if the accumulation distribution was excluded from their NYAGI. The beneficiary must submit a copy of the computation of their New York State accumulation distribution credit with their individual return.

* These amounts should be provided to the beneficiary by the trust.

If an accumulation distribution has been made, submit a copy of federal Schedule J (Form 1041) with the return of the trust and a statement showing the computation of the credit claimed with respect to each beneficiary involved.

Use of federal figures

Income and deductions are to be entered as reportable for federal income tax purposes.

However, all items reported on Form IT-205 or on statements or schedules submitted are subject to audit and revision by the Department of Taxation and Finance.

Whole dollar amounts

See *Filing in your tax return* on page 7.

Penalties

The law imposes penalties for failing to file a return or pay any tax when due, for making a false or fraudulent return, or for making a false certification. A penalty may be charged for not paying enough estimated tax or for not making the payments on time.

Accounting periods and methods

The accounting period for which Form IT-205 is filed and the method of accounting used are the same as for federal income tax purposes. If the tax year or method of accounting is changed for federal income tax purposes, the change applies similarly to the New York State fiduciary return.

Short tax year

If a return for a period of less than 12 months is filed for federal income tax purposes, you must also file a short period return for New York State income tax purposes.

Specific instructions

All information on Form IT-205 should be for the calendar year January 1 through December 31, 2014, or for the fiscal year of the estate. If filing for a fiscal year or short year (less than 12 months), enter the month, day, and year the tax year began, and the month, day, and year that it ended at the top of the front page.

Type of entity

In the upper left corner of Form IT-205, mark an **X** in the box(es) for the type of entity as shown on your federal Form 1041.

Electing small business trust (ESBT)

Special federal rules apply when figuring the tax on the S portion of an electing small business trust. The S portion of an ESBT is the portion of the trust that consists of stock in one or more S corporations and is not treated as a grantor type trust. Compute the New York State tax on the S portion as determined for federal purposes (using the *New York State tax rate schedule* on page 10). Enter this amount on line 12. Compute the New York City tax on the S portion as determined for federal purposes using the New York City tax rate schedule on page 16. Enter this amount on line 20. Submit with Form IT-205 the federal tax computation for the S portion of the ESBT. When figuring the tax on the remaining (non-S) portion of the trust, disregard the S corporation items. If the ESBT consists entirely of stock in one or more S corporations, do not make any entries on lines 43-62 of Schedule A of Form IT-205.

Instead:

- enter the NYS tax (less any credits) on the S portion on line 12,
- enter the NYC tax (less any credits) on the S portion on line 20,
- submit with Form IT-205 the federal tax computation for the S portion of the ESBT, **and**
- complete the rest of Form IT-205.

Grantor type trusts

A *grantor type trust* is a legal trust under applicable state law that is not recognized as a separate taxable entity for income tax purposes because the grantor or other substantial owners have not relinquished complete dominion and control over the trust. This can also apply to only a portion of a trust.

In general, a grantor trust is ignored for income tax purposes, and all of the income, deductions, etc., are treated as belonging directly to the grantor. This also applies to any portion of a trust that is treated as a grantor trust.

Use the same filing method used for federal purposes.

Grantor type trusts not using an optional filing method for federal purposes

The following instructions apply only to grantor type trusts that are not using an optional federal filing method.

If the entire trust is a grantor trust, complete the entity information at the top of Form IT-205 and Item G on the back of Form IT-205.

If only part of the trust is treated as a grantor trust, report on Form IT-205 only the part of the income, deductions, etc., that is taxable to the trust. Submit with Form IT-205 a copy of the attachment to federal Form 1041 that shows the amounts that are taxable directly to the grantor.

The income taxable to the grantor or another person, and the deductions and credits that apply to that income, must be reported by that person on his or her own income tax return.

File Form IT-205 for the grantor trust and the grantor's own income tax return separately. Do not submit a copy of Form IT-205 with the grantor's income tax return.

Grantor type trusts using optional filing methods 1, 2, or 3 for federal purposes

If the trust did not have to file federal Form 1041 because it chose an optional filing method, do not file Form IT-205. Follow the optional filing method instructions for federal purposes.

Estimated tax payments on behalf of the grantor

Use Form IT-2105, *Estimated Tax Payment Voucher for Individuals*, and its instructions, Form IT-2105-I, to determine and pay any amount of estimated tax on behalf of the grantor. Do not use Form IT-2106.

Qualified Subchapter S Trust (QSST)

For federal purposes, a QSST uses the same filing method as a grantor type trust not using an optional federal filing method. Use the same filing method for NYS tax purposes.

Name and address box

Enter in the spaces at the top of the return the name of the estate or trust exactly as it appears on federal Form SS-4, the name and title of the fiduciary, and the address of the fiduciary. This is the mailing address for subsequent mailings from the Tax Department (such as refunds, notices, etc.). Also enter the employer identification number of the **estate or trust** exactly as it appears on federal Form SS-4, and the social security number of the decedent in the spaces provided to the right of the address box.

Initial return

Mark an **X** in this box if this is the initial return for the estate or trust.

Final return

Mark an **X** in this box if this is a final return because the estate or trust has terminated.

Amended returns or federal changes

Generally, an amended return claiming credit for, or a refund of, an overpayment must be filed within three years from the date that the

original return was filed, or within two years of the date the tax was paid, whichever is later.

Exception: The fiduciary must file Form IT-205 (marking the **Amended return** box on the front) within 90 days of the date the federal return is amended if the fiduciary files an amended federal return showing a change in any of the following:

- taxable income,
- total taxable amount of capital gain or ordinary income portion of a lump-sum distribution,
- shares of income distributable to the beneficiaries,
- amount of any claim of right adjustment, **or**
- amount of the estate's or trust's foreign tax credit affecting the computation of the resident credit for taxes paid to a province of Canada.

To amend the fiduciary's original Form IT-205:

- mark the *Amended return* box;
- complete the entire return;
- correct the appropriate lines with the new information; **and**
- refigure the estate's or trust's tax liability.

If the total tax on line 29 is larger on the amended return than on the original return, you generally should pay the difference with the amended return. However, you should adjust this amount if there is any increase or decrease in the total payments on line 37.

Submit a sheet that explains the reasons for the amendments and identifies the lines and amounts being changed on the return.

The fiduciary must also file an amended return to correct any error on the original state return and to report changes made by the Internal Revenue Service (IRS). Submit a signed statement indicating that you concede the federal audit changes. If you do not concede the federal audit changes, submit a signed statement explaining why.

Note: If the federal changes affect the distributable net income of the estate or trust, each beneficiary's share of any New York fiduciary adjustment that applies to the federal changes must be reported on Form IT-201-X, *Amended Resident Income Tax Return*, or Form IT-203-X, *Amended Nonresident and Part-Year Resident Income Tax Return*, as applicable.

Income distribution deduction

Enter the total distribution of the estate or trust, from line 58 of Form IT-205. This should also equal the amount entered on federal Form 1041, Schedule B, line 15, income distribution deduction. Please use whole dollars.

Number of beneficiaries

Enter the number of beneficiaries of the estate or trust.

Special conditions for filing your 2014 fiduciary tax return

If the estate or trust qualifies for one or more of the special conditions below, enter the specified 2-character code(s) on the return.

Code A6 Build America Bond (BAB) interest – Enter this code if the estate or trust included BAB interest in federal taxable income. For additional information, see TSB-M-10(4)I, *Treatment of Interest Income from Build America Bonds*, and Form IT-225 available on our Web site.

Code E4 Nonresident aliens – Enter this code if the estate or trust is a U.S. nonresident alien for federal income tax purposes and the estate or trust qualifies to file a federal income tax return on or before June 15, 2015 (the filing deadline for your New York State return is also June 15, 2015).

Code P2 Protective claim – If you are filing an amended Form IT-205 to file a *protective claim*, mark the *Amended return* box and enter code **P2** in the *Qualifying special conditions* box.

A *protective claim* is a refund claim that is based on an unresolved issue(s) that involves the Tax Department or another taxing jurisdiction that may affect your New York tax(es). The purpose of filing a protective claim is to protect any potential overpayment for a tax year for which the statute of limitations is due to expire.

Code N3 Net operating loss – If you are filing an amended Form IT-205 to report an *NOL carryback*, write **NOL** and the year of the loss at the top of your amended Form IT-205. Mark the *Amended return* box and enter code **N3** in the *Qualifying special conditions* box.

Submit all of the following with amended Form IT-205:

- A copy of your federal Form 1041 for the **loss year**. In addition, provide any schedules or statements that are related to your loss. If your NOL will have an effect on more than one tax year, this federal information must only be submitted with the amended return for the first carryback year.
- A copy of your federal NOL computation, including federal Form 1045 and all related schedules. You do not have to include the alternative minimum tax NOL computation.
- A copy of your original federal Form 1041 for the **carryback year**. No additional schedules/statements are required.
- A copy of any federal documentation (if available) showing the IRS has accepted your NOL carryback claim.

Note: You must file amended Form IT-205 to claim an NOL carryback within three years from the date the loss year return was due (including any extensions).

Limitation on tax credit eligibility

If the estate or trust (or an S corporation of which it was a shareholder, or partnership of which it was a partner) is convicted of an offense defined in New York State Penal Law Article 200 (*Bribery Involving Public Servants and Related Offenses*) or 496 (*Corrupting the Government*), or section 195.20 (*Defrauding the Government*), the estate or trust is not eligible for any tax credit allowed under Tax Law Article 9, 9-A, 32, or 33, or any business tax credit allowed under Tax Law Article 22. A *business tax credit allowed under Article 22* is a tax credit allowed to taxpayers under Article 22 that is substantially similar to a tax credit allowed to taxpayers under Article 9-A.

Important reminder to file a complete return

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

Filing in your tax return

Please follow these guidelines:

- Use black ink only (no red or other color ink or pencils) to print or type all entries.
- Do not write in dollar signs, commas, or decimal points when making entries.
- When entering amounts on your return, enter **whole dollar amounts** only (zeros have been preprinted). Use the following rounding rules when entering your amounts; drop amounts below 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.
- Mark an **X** to fill in boxes as appropriate. Do not use a check mark. Keep your Xs and numerals inside the boxes.

- If you show a loss, place a minus sign in the box **immediately to the left** of the loss amount. Do not use [] brackets or parentheses.

Line instructions

Items A, B, and C on front page

Complete lines 1 through 42, if applicable, before completing items A, B, and C.

Item A Resident estates and trusts – Enter the total income from Form IT-205, Schedule A, line 51. **Nonresident estates and trusts and part-year resident trusts** – Enter the total income from Form IT-205-A, Schedule 4, line 22, column a.

Item B Resident estates and trusts – Enter your New York adjusted gross income from page 10, *NYAGI worksheet*, line 5. **Nonresident estates and trusts and part-year resident trusts** – Enter your New York adjusted gross income from Form IT-205-A-I, *Instructions for Form IT-205-A*, page 2, *NYAGI worksheet*, line 5.

Item C Nonresident estates and trusts and part-year resident trusts only – Enter the amount from Form IT-205-A, Schedule 1, line 10, column a.

Line 1 Federal taxable income of fiduciary resident estates and trusts – Enter the amount of the taxable income of fiduciary as reported on Form IT-205, Schedule A, line 62. **Nonresident estates and trusts and part-year resident trusts** – Enter the amount of the taxable income of fiduciary as reported on Form IT-205-A, Schedule 1, line 6, column a.

Line 2 New York modifications relating to amounts allocated to principal – The following amounts are to be added or subtracted on this line to the extent they are attributable to amounts that are not includable in federal distributable net income of the estate or trust (submit a statement giving full details):

A Sales or dispositions of assets acquired before 1960 with greater state than federal bases – When federally taxable gains are realized from the sale of certain assets that have higher adjusted bases for state tax purposes, subtraction adjustments must be made to reduce the gain for state tax purposes. State income tax laws prior to 1960 and currently existing state income tax laws about depletion can cause these differences in adjusted bases.

If federal taxable income included gain that was from **either**:

- property that had a higher adjusted basis for New York State income tax purposes than for federal tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960); **or**
- property that was held in connection with mines, oil or gas wells, and other natural deposits and that had a higher adjusted basis for New York State income tax purposes than for federal tax purposes when sold;

then include as a subtraction on line 2, the **lesser of**:

- the gain itself **or**
- the difference in the adjusted bases.

B Income earned before 1960 and previously reported to New York State – Due to a different set of state income tax laws for any tax year ending before 1960 (and any fiscal tax year ending during 1960), income that is reportable for federal purposes for 2014 that was reported for New York State tax purposes then, is not subject to New York State tax again.

If any income (including annuity income) or gain was included in the 2014 federal taxable income that was properly reported as income to New York State prior to 1960 (or during a fiscal year ending in 1960) by **either**:

- the estate or trust; **or**
- the decedent or estate or trust from whom the fiduciary acquired that income or gain;

then include that income or gain as a subtraction on line 2.

C Wage and salary expenses allowed as federal credits but not as federal expenses – The federal government allows certain wage and salary payments to others to be taken as credits against taxes instead of as expenses against income. New York State does not have comparable credits, but does allow the expenses.

If the estate or trust took a credit for which a deduction for wages and salary expenses is not allowed under IRC section 280C, **then** include the wage payments not deductible for federal purposes as a subtraction on line 2.

D Gain to be subtracted from the sale of a new business investment reported on your federal income tax return – If the estate or trust reported a capital gain on its federal income tax return from the sale of a new business investment that was issued before 1988 and was held at least six years, include 100% of that federal gain as a subtraction on line 2.

E Percentage depletion – If the estate or trust claimed a deduction on its federal return for percentage depletion on mines, oil and gas wells, and other natural deposits, **then** include as an addition on line 2 the amount deducted in figuring the federal taxable income of the estate or trust.

Cost depletion – New York State does not allow percentage depletion of natural resource holdings but does allow cost depletion.

If the estate or trust is making a New York addition for any percentage depletion deducted for property in determining its federal taxable income, **then**:

- compute the cost depletion that would be allowed on that property by IRC section 611 without any reference to either section 613 or 613-a of that code; **and**
- include that amount as a subtraction on line 2.

F Special additional mortgage recording tax deduction – If the estate or trust deducted special additional mortgage recording tax in computing its federal taxable income, and the special additional tax was paid before January 1, 1988, and in a prior year the estate or trust was allowed a New York State personal income tax credit for that tax, **then** include the amount deducted as an addition on line 2. Do not make the addition for the tax paid to record a mortgage on or after January 1, 2004, even if the estate or trust claimed a credit for that tax.

G Special additional mortgage recording tax basis adjustment – If property on which the estate or trust paid a special additional mortgage recording tax was sold or disposed of, and a special additional tax was paid before January 1, 1988, and in a prior year the estate or trust claimed a New York State personal income tax credit for that tax, **then** include as an addition on line 2 the amount, if any, of the federal basis of the property that was not adjusted to reflect the amount of credit allowed.

H Sales or dispositions of assets acquired from decedents – In certain cases involving assets of decedents, the assets can acquire different basis for state and federal tax purposes. In those cases, adjustments in the gains or losses on the sales or disposition of those assets must eventually be made.

If, during the tax year, there was a sale or other disposition of any stocks, bonds, property, or other assets that had been either inherited or sold or disposed of directly by the estate of a decedent, **and** if the estate of the decedent who left behind those assets was not large enough to require the filing of a federal estate tax return, **and if** the executor or administrator of that estate had valued those assets for New York State purposes at less than their value for federal purposes, **then** include as an addition on line 2 the **difference between** (a) the gain or loss on that sale or disposition that you figured into the federal taxable income of the estate or trust for the tax year, and (b) the gain or loss that would have resulted if the executor or administrator had valued the assets for federal purposes at the same value that he or she valued them for New York State purposes.

This adjustment is not required for property acquired for decedents whose date of death was on or after February 1, 2000.

Loss from the sale or disposition of property that would have been realized if a federal estate tax return had been required If the estate or trust acquired property from a decedent and the property was valued by the executor of the estate in such manner where the estate was insufficient to require the filing of a federal estate tax return, **and** a loss on the sale would have been realized if a federal estate tax return had been required, **then** include as a subtraction on line 2 the amount of the loss that would have been realized.

This adjustment is not required for property acquired from decedents whose date of death was on or after February 1, 2000.

I Special depreciation – If the estate or trust made an election for tax years beginning before 1987 for special depreciation for:

- research and development expenditures,
- waste treatment facility expenditures,
- air pollution control equipment expenditures, **or**
- acid deposition control equipment,

then include as an addition on line 2 any amount that was added to federal taxable income.

Special depreciation expenditures – The excess expenditures incurred in tax years beginning before 1987 in connection with depreciable, tangible business property located in New York State may be carried over to the following tax year or years and subtracted from federal taxable income for that year(s) if those expenses exceeded the New York taxable income of the estate or trust before the allowance of those expenditures.

If the estate or trust incurred such expenditures, **then** complete Form IT-211, *Special Depreciation Schedule*, to figure the amount to include as a subtraction on line 2.

J New business investment; deferral recognition – If in any tax year beginning on or after January 1, 1982, and before 1988, the estate or trust chose to subtract all or a portion of a long term capital gain from federal taxable income because that amount had been reinvested in a new New York business, **and if** that reinvestment was sold in 2014, **then** include as an addition on line 2 the amount that had previously been subtracted.

K Deductions attributable to safe harbor leases (such a lease is a financial arrangement between either a corporation, partnership, or certain grantor trusts and a person, firm, estate, or trust to acquire and use an asset; the arrangement is allowed for federal tax purposes, but is not allowed for state tax purposes unless it involves mass transit vehicles) – If, in figuring the federal taxable income of the estate or trust, they took deductions attributable to a safe harbor lease (except for mass transit vehicles) made under an election provided for by IRC section 168(f)(8) as it was in effect for agreements entered into prior to January 1, 1984, **then** include those deductions as an addition on line 2 **and** see L below.

Amount that was included in federal income because the IRC 168(f)(8) election was made – If an amount was included in federal taxable income (except for mass transit vehicles) solely because the safe harbor election was made on the federal return of the estate or trust for agreements entered into before January 1, 1984, **then** include that amount as a subtraction on line 2.

L Safe harbor leases; election for qualified leased property (see K above for a definition of safe harbor leases) – If the estate's or trust's financial matters in 2014 involved a safe harbor lease (except for mass transit vehicles) made under an election provided for by IRC section 168(f)(8) as it was in effect for agreements entered into prior to January 1, 1984, **then** the estate or trust must include as an addition on line 2 the income that they would have included in their federal taxable income if such an election had not been made.

Amount that could have been excluded from federal taxable income had the IRC 168(f)(8) election not been made – If an amount could have been excluded from federal taxable income

(except for mass transit vehicles) had the safe harbor election not been made on the federal return of the estate or trust for agreements entered into before January 1, 1984, **then** the estate or trust must include that amount as a subtraction on line 2.

M Accelerated cost recovery system (ACRS) deduction

New York State does not allow ACRS depreciation for property placed in service inside or outside New York State during tax years 1981, 1982, 1983, and 1984. The estate or trust must figure its New York depreciation by using one of the methods provided for in IRC section 167 as it was in effect on December 31, 1980 (such as straight line, declining balance, etc.).

For property (except for property classified as IRC section 280F property) placed in service outside New York State for tax years beginning after 1984 but before 1994, New York did not allow ACRS or MACRS depreciation under IRC section 168. Instead, New York allowed the depreciation deduction that would have been allowed under IRC section 167 as it was in effect on December 31, 1980.

However, **if** the estate or trust claimed ACRS depreciation on its federal return for property not classified as IRC section 280F property and that property was placed in service **outside** New York State in tax years beginning after December 31, 1984, but before January 1, 1994 (including property on which ACRS depreciation was figured in accordance with the Federal Tax Reform Act of 1986), **then** the estate or trust may:

- continue using the pre-1981 IRC section 167 depreciation on that property, making the applicable depreciation addition and subtraction, **or**
- choose to switch to the IRC section 168 depreciation deduction.

An estate or trust choosing to switch to the IRC section 168 depreciation deduction is no longer responsible to make the New York depreciation addition and subtraction adjustments, since the estate or trust will now be allowed to claim the same depreciation as was claimed on the federal tax return for property placed in service outside New York State in tax years 1985 through 1993. If the estate or trust switches to IRC section 168 depreciation, the estate or trust must use IRC section 168 depreciation from this tax year forward, and must use it for all subject property owned by the estate or trust. For more information concerning this property, see TSB-M-99(1)I. This TSB-M is available on the Tax Department Web site.

If the estate or trust claimed ACRS depreciation on its federal return for:

- property placed in service during tax years 1981-1984 (other than IRC section 280F property), **or**
- property placed in service outside New York State during tax years 1985-1993 (other than IRC section 280F property), and it elects to continue using IRC section 167 depreciation,

then include on line 2 as an addition the amount that was deducted in figuring the federal taxable income.

N Accelerated cost recovery property; year of disposition adjustment

– If the estate or trust disposed of property during 2014 that it depreciated for federal purposes using ACRS, **then** the estate or trust **must** complete Part 2 of Form IT-399, *New York State Depreciation Schedule*, to figure the amount to include as an addition, or subtraction on line 2, depending on the total federal ACRS deduction claimed being less than or more than the total NY depreciation claimed.

O Gain on property transferred to trust at less than fair market value

– If a trust sells or exchanges property at a gain not more than two years after the date of the initial transfer of the property in trust by the transferor, and the fair market value of the property at the time of the initial transfer in trust by the transferor exceeds the adjusted basis of such property immediately after the transfer, **then** include as an addition on line 2 the amount of any includable gain, reduced by any allowable deductions to that gain, where tax was imposed by IRC section 644, relating to sales or exchanges occurring on or before August 5, 1997.

P Refund of the QEZE credit for real property taxes included in federal taxable income – If the estate or trust included in its federal taxable income the amount of any refund of the QEZE credit for real property taxes, **then** include that amount as a subtraction on line 2.

Q NOL deduction limitation – For New York State income tax purposes, your federal NOL deduction is limited to your federal NOL deduction (from federal Form 1045) or your federal taxable income for the loss year computed without the NOL deduction, whichever is less. If the amount of your federal NOL deduction is less than your federal taxable income computed without the NOL deduction, you are allowed the same NOL deduction amount for New York State income tax purposes as claimed on your federal return.

If the amount of your federal NOL deduction is limited to your federal taxable income in the loss year computed without the NOL deduction, **then** include the amount computed as your New York NOL addition modification in Publication 145, *Net Operating Losses (NOLs) for New York State Resident Individuals, Estates, and Trusts, NOL Worksheet*.

S corporation shareholders – If the estate or trust is a shareholder of an S corporation, use the information below to determine the modification to be included on line 2 where the S corporation income, loss or deduction has been allocated to principal.

If the estate or trust is a shareholder of a federal S corporation for which the election to be a New York S corporation was in effect for the tax year, include any of the above additions and subtractions that apply to the estate's or trust's share of S corporation items of income, loss, or deduction, plus the addition required by section 612(b)(18) of the Tax Law. If the election to treat the corporation as a New York S corporation terminated during the tax year, the estate or trust must allocate the additions and subtractions. Obtain the estate's or trust's share of S corporation items of income, loss, and deduction from the S corporation.

If the estate or trust is a shareholder of an S corporation that was eligible to make the election to be a New York S corporation for the tax year but did not make the election, include only those additions required by sections 612(b)(19) and 612(b)(20) and the subtraction required by section 612(c)(22) of the Tax Law.

If the estate or trust was not eligible to make the election to treat its corporation as a New York S corporation because the corporation was not subject to Article 9-A franchise tax, include any of the above additions and subtractions that apply to estate's or trust's pro rata share of S corporation items of income, loss, or deduction.

If the estate or trust had a gain or loss recognized on its federal income tax return because of the disposition of stock or indebtedness of an S corporation, **and if** that S corporation did **not** have an election to treat the corporation as a New York S corporation in effect for any tax year beginning:

- after December 31, 1980, if taxable as a corporation under Article 9-A (General Business Corporation Franchise Tax) of the Tax Law; **or**
- after December 31, 1996, if taxable as a corporation under Article 32 (Banking Corporation Franchise Tax) of the Tax Law;

then include on line 2 as an addition the increase in basis of stock or indebtedness that is due to the application of IRC sections 1376(a) (as in effect for tax years beginning before January 1, 1983) and 1367(a)(1)(A) and (B) for each tax year that the New York election was **not** in effect **and** include on line 2 as a subtraction the reduction in basis of stock or indebtedness that is due to the application of IRC sections 1376(b) (as in effect for tax years beginning before January 1, 1983) and 1367(a)(2)(B) and (C) for each tax year that the New York election was **not** in effect.

Line 4 Fiduciary's share of New York fiduciary adjustment
Enter on this line the total of the fiduciary's share of New York fiduciary adjustment from Form IT-205, Schedule C, column 5.

Line 6 New York State tax
New York State tax rate schedule (for line 6)

If the amount on line 5 is:

		but		Enter on line 6:	
over	not over				
\$ 0	\$ 8,300		4%	of amount on line 5	
8,300	11,450	\$ 332 plus	4.5%	of amount over	\$ 8,300
11,450	13,550	474 plus	5.25%	" " "	11,450
13,550	20,850	584 plus	5.9%	" " "	13,550
20,850	78,400	1,015 plus	6.45%	" " "	20,850
78,400	209,250	4,727 plus	6.65%	" " "	78,400
209,250	1,046,350	13,428 plus	6.85%	" " "	209,250
1,046,350		70,770 plus	8.82%	" " "	1,046,350

NYGI worksheet

Complete New York adjusted gross income (NYGI) worksheet as follows:

- 1 Enter federal adjusted gross income (*as computed using federal Form 1041, line 15c instructions for allowable miscellaneous deductions*) 1
- 2 Enter amount from Form IT-205, line 2 2
- 3 Enter the net amount of the fiduciary share of additions and subtractions from Form IT-205, Schedule B, lines 63 through 69, that relate to the income reported on Form IT-205, lines 43 through 50..... 3
- 4 Add lines 2 and 3 4
- 5 New York adjusted gross income (*line 1 and add or subtract line 4; enter here and on Form IT-205, front page, Item B*) 5

Tax computation

- If *NYGI worksheet*, line 5, is **\$104,600 or less**, compute the estate's or trust's New York State tax on the amount on Form IT-205, line 5, using the *New York State tax rate schedule* above. Enter the tax amount on Form IT-205, line 6.
- If *NYGI worksheet*, line 5, is **more than \$104,600**, the estate or trust must compute its tax using the appropriate tax computation worksheet below.

Tax computation worksheet 1

If *NYGI worksheet*, line 5, is **more than \$104,600, but not more than \$1,046,350**, and the estate's or trust's taxable income from Form IT-205, line 5, is **\$209,250 or less**, the estate or trust must compute its tax using this worksheet.

- 1 Enter the amount from *NYGI worksheet*, line 5 1
- 2 Enter the estate's or trust's taxable income from Form IT-205, line 5..... 2
- 3 Multiply line 2 above by 6.65% (.0665) (**Stop:** If the line 1 amount above is **\$154,600 or more**, skip lines 4 through 8 and enter the line 3 amount on line 9) 3
- 4 Enter the estate's or trust's New York State tax on the line 2 amount above from the *New York State tax rate schedule* 4
- 5 Subtract line 4 from line 3 5
- 6 Enter the excess of line 1 over \$104,600 6
- 7 Divide line 6 by \$50,000 and round the result to the fourth decimal place 7
- 8 Multiply line 5 by line 7 8
- 9 Add lines 4 and 8. **Enter here and on** Form IT-205, line 6 9

Tax computation worksheet 2

If *NYAGI worksheet*, line 5, is **more than \$209,250, but not more than \$1,046,350**, and the estate's or trust's taxable income from Form IT-205, line 5, is **more than \$209,250**, the estate or trust must compute its tax using this worksheet.

1	Enter the amount from <i>NYAGI worksheet</i> , line 5	1	_____
2	Enter the estate's or trust's taxable income from Form IT-205, line 5.....	2	_____
3	Multiply line 2 above by 6.85% (.0685) (Stop: If the line 1 amount above is \$259,250 or more , skip lines 4 through 10 and enter the line 3 amount on line 11)	3	_____
4	Enter the estate's or trust's New York State tax on the line 2 amount above from the <i>New York State tax rate schedule</i>	4	<input type="text"/>
5	Subtract line 4 from line 3	5	_____
6	Enter \$487 on line 6	6	<input type="text" value="487"/>
7	Subtract line 6 from line 5	7	_____
8	Enter the excess of line 1 over \$209,250	8	_____
9	Divide line 8 by \$50,000 and round the result to the fourth decimal place	9	_____
10	Multiply line 7 by line 9	10	<input type="text"/>
11	Add lines 4, 6, and 10. Enter here and on Form IT-205, line 6.....	11	_____

Tax computation worksheet 3

If *NYAGI worksheet*, line 5, is **more than \$1,046,350**, the estate or trust must compute its tax using this worksheet.

1	Enter the amount from <i>NYAGI worksheet</i> , line 5	1	_____
2	Enter the estate's or trust's taxable income from Form IT-205, line 5.....	2	_____
3	Multiply line 2 above by 8.82% (.0882) (Stop: If the line 1 amount above is \$1,096,350 or more , skip lines 4 through 10 and enter the line 3 amount on line 11)	3	_____
4	Enter the estate's or trust's New York State tax on the line 2 amount above from the <i>New York State tax rate schedule</i>	4	<input type="text"/>
5	Subtract line 4 from line 3	5	_____
6	If line 2 is \$209,250 or less , enter \$487 on line 6. If line 2 is more than \$209,250 , enter \$905 on line 6.	6	<input type="text"/>
7	Subtract line 6 from line 5	7	_____
8	Enter the excess of line 1 over \$1,046,350	8	_____
9	Divide line 8 by \$50,000 and round the result to the fourth decimal place	9	_____
10	Multiply line 7 by line 9	10	<input type="text"/>
11	Add lines 4, 6, and 10. Enter here and on Form IT-205, line 6.....	11	_____

Line 10 State credits

Enter on this line the total of all nonrefundable state credits. Submit all applicable credit forms.

New York State nonrefundable, non-carryover credits:

- resident credit (Forms IT-112-R and IT-112-C)
- accumulation distribution credit (submit computation)
- defibrillator credit (Form IT-250)
- QEZE tax reduction credit (Form IT-604)

New York State nonrefundable, carryover credits:

- investment credit (Form IT-212)
- FSI investment tax credit (Form IT-252)
- EZ investment tax credit and EZ employment incentive credit (Form IT-603)
- FSI EZ investment tax credit and FSI EZ employment incentive credit (Form IT-605)
- EZ wage tax credit (Form IT-601)
- ZEA wage tax credit carryover (Form IT-601.1)
- EZ capital tax credit (Form IT-602)
- QETC capital tax credit (Form DTF-622)
- employment of persons with disabilities credit (Form IT-251)
- alternative fuels credit (Form IT-253)
- residential fuel oil storage tank credit carryover (submit computation)
- green building credit (Form DTF-630)
- low-income housing credit (Form DTF-624)
- long-term care insurance credit (Form IT-249)
- special additional mortgage recording tax credit (Form IT-256)
- credit for taxicabs and livery service vehicles accessible to persons with disabilities for purchases or costs incurred before January 1, 2011 (Form IT-239)
- rehabilitation of historic properties credit (Form IT-238)
- Empire State commercial production credit (Form IT-246)
- Empire State film post-production credit (Form IT-261)
- credit for taxicabs and livery service vehicles accessible to persons with disabilities for costs incurred on or after January 1, 2011 (Form IT-236)
- alternative fuels and electric vehicle recharging property credit (Form IT-637)
- temporary deferral nonrefundable payout credit (Form IT-501)

Line 11 Resident estate or trust: Subtract line 10 from line 8. Enter the result on line 11. **Nonresident estate or trust or part-year resident trust:** Subtract line 10 from line 9. Enter the result on line 11. If the result is less than zero, enter 0; do not enter a negative number.

Line 12 State separate tax on lump-sum distributions and other addbacks – Enter the amount of any separate tax on lump-sum distributions due from Form IT-230 (submit form). If the credit under section 620-A is claimed, enter the amount of separate tax on lump-sum distributions due after allowance of the credit and submit Form IT-112.1, *New York State Resident Credit Against Separate Tax on Lump-Sum Distributions*. Enter any New York State tax on the S portion of an electing small business trust (ESBT). Also enter on this line any amount of addback of the following credits. Submit all applicable credit forms.

- investment credit on early dispositions (Form IT-212)
- empire zone (EZ) investment credit on early dispositions (Form IT-603)
- resident credit for taxes paid to a province of Canada (Form IT-112-C)
- alternative fuels credit on early dispositions (for trusts only) (Form IT-253)
- farmers' school tax credit on early dispositions (Form IT-217)

Line 7 – Enter on line 7 the amount of New York State tax on the capital gain portion of the estate's or trust's lump-sum distribution from Form IT-230, Part 2, line 2. Submit Form IT-230 with the fiduciary return (Form IT-205).

Line 9 Allocated New York State tax – Enter the amount from Form IT-205-A, Schedule 1, line 13, if a nonresident estate or trust or a part-year resident trust.

If the estate or trust used Form IT-230, Part 2, to figure the tax on the capital gain portion of the estate's or trust's lump-sum distribution, mark an **X** in the box at line 9. Submit Form IT-230 with the fiduciary return.

- investment credit - financial services industry - on early dispositions (Form IT-252)
- EZ investment - financial services industry - on early dispositions (Form IT-605)
- EZ capital tax credit recapture (Form IT-602)
- qualified emerging technology company (QETC) capital tax credit on early dispositions (Form DTF-622)
- qualified empire zone enterprise (QEZE) credit for real property taxes (Form IT-606)
- low-income housing credit (Form DTF-626)
- brownfield redevelopment tax credit (Form IT-611/Form IT-611.1)
- remediated brownfield real property tax credit (Form IT-612)
- environmental remediation insurance credit (Form IT-613)
- rehabilitation of historic properties credit (Form IT-238)
- excelsior jobs program credit (Form IT-607)
- economic transformation and facility redevelopment program tax credit (Form IT-633)
- Empire State jobs retention program credit (Form IT-634)
- alternative fuels and electric vehicle recharging property credit (Form IT-637)
- real property tax credit for manufacturers (Form IT-641)

Tax Payment Form. You can check your balance and reconcile your estimated income tax account by going to our Web site, or by writing to us at:

NYS TAX DEPARTMENT
ESTIMATED TAX UNIT
W A HARRIMAN CAMPUS
ALBANY NY 12227-0822

Line 31 – If the fiduciary makes the election under Tax Law section 685(c)(6)(D) or (F) to have any portion of an estimated tax payment treated as a payment of estimated tax made by a beneficiary or beneficiaries, enter the amount on line 31.

The estimated tax payment allocated to beneficiaries is treated as having been distributed on the last day of the preceding tax year. If the election is made, Form IT-205-T must be filed on or before the 65th day after the close of the fiduciary's tax year.

Form IT-205-T, *Allocation of Estimated Tax Payments to Beneficiaries*, shows the amounts to be allocated to each beneficiary. Failure to file Form IT-205-T on or before March 6, 2015, will result in an invalid election. For more information, see the instructions for Form IT-205-T. Submit Form IT-205-T with your return only if you are making the section 685(c)(6)(D) or (F) election, as applicable, with Form IT-205. If you have already filed Form IT-205-T, **do not** submit a copy with your return.

Line 33 Refundable credits

If the estate or trust is claiming a refund of one or more of the refundable credits listed below, identify each credit being claimed and its amount in the box labeled *Identify* on line 33, and include the amount(s) of the refundable credit(s) in the total for line 33. If you need more room, make a list showing each credit and its amount and submit the list with your fiduciary return. Submit all applicable credit forms.

- investment credit refund (ICR) (Form IT-212)
- farmers' school tax credit (Form IT-217)
- investment credit - financial services industry refund (Form IT-252)
- empire zone wage tax credit (Form IT-601)
- empire zone investment and employment incentive tax credit (Form IT-603)
- empire zone investment tax credit - financial services industry (Form IT-605)
- qualified emerging technology company employment credit (Form DTF-621)
- qualified empire zone enterprise (QEZE) credit for real property taxes (Form IT-606)
- total New York State, New York City, and Yonkers claim of right credits (Form IT-257)
- Empire State film production credit (Form IT-248)
- brownfield redevelopment tax credit (Form IT-611/Form IT-611.1)
- remediated brownfield real property tax credit (Form IT-612)
- environmental remediation insurance credit (Form IT-613)
- special additional mortgage recording tax credit (Form IT-256)
- security officer training tax credit (Form IT-631)
- conservation easement credit (Form IT-242)
- biofuel production credit (Form IT-243)
- clean heating fuel credit (Form IT-241)
- Empire State commercial production credit (Form IT-246)
- Empire State film post-production credit (Form IT-261)
- excelsior jobs program credit (Form IT-607)
- economic transformation and facility redevelopment program tax credit (Form IT-633)
- Empire State jobs retention program credit (Form IT-634)
- New York youth works tax credit (Form IT-635)
- Beer production credit (Form IT-636)

Addbacks worksheet

Note: Complete this worksheet **only if** you have any of the addbacks listed above in order to determine the amount to enter on line 12.

1	Total addback credits	1	_____
2	Amount entered on line 10	2	_____
3	Amount entered on line 8 or 9	3	_____
4	Subtract line 3 from line 2 (if zero or less, enter 0)	4	_____
5	Subtract line 4 from line 1 (if zero or less, enter 0)	5	_____
6	Enter separate tax on lump-sum distributions (see line 12 instructions)	6	_____
7	Add lines 5 and 6 and enter the total on Form IT-205, line 12	7	_____

Line 13 – This line does not apply to the current tax year and therefore has been shaded.

Line 14 – Add lines 11 and 12 if the result is less than zero, enter 0; do not enter a negative number.

Lines 15a through 23 New York City taxes and credits – These lines refer only to New York City taxes and credits. General and specific instructions for these lines are on pages 14, 15, and 16.

Lines 24 – This line does not apply to the current tax year and therefore has been shaded.

Lines 25, 26, and 27 Yonkers taxes – These lines refer only to Yonkers tax. General and specific instructions for these lines are on pages 14, 15, and 16.

Line 28 Sales or use tax – Enter sales or use tax due. See *Sales or use tax* on page 16.

Line 29 – Add lines 14 and 23 through 28; if the result is less than zero, enter 0; do not enter a negative number.

Line 30 – Enter estimated tax payments. Also enter the amount you paid with Form IT-370-PF, *Application for Automatic Extension of Time to File for Partnerships and Fiduciaries*. Also include any amounts of estimated income tax paid with Form IT-2663, *Nonresident Real Property Estimated Income Tax Payment Form*, and Form IT-2664, *Nonresident Cooperative Unit Estimated Income*

- temporary deferral refundable payout credit (Form IT-502)
- START-UP NY tax elimination credit (Form IT-638)
- START-UP NY telecommunication services excise tax credit (Form IT-640)

Note: You must supply the START-UP NY business *Certificate of Eligibility* number and year of tax benefit period in which the credit is being claimed if you are passing through the credit or income for the START-UP NY business activity to your beneficiaries.

- real property tax credit for manufacturers (Form IT-641)
- minimum wage reimbursement credit (Form IT-639)

Lines 34, 35, and 36 Total New York State, New York City and Yonkers tax withheld

Enter on the appropriate line, the total New York State, New York City, and Yonkers tax withheld from:

- federal Form(s) W-2,
- federal Form(s) 1099-R,
- federal Form(s) 1099-G, and
- New York State lottery distributions (submit federal Form W-2G).

Submit these forms with your return.

Lines 38 through 41 – The New York State, New York City, and Yonkers income tax liabilities are combined into a single amount of tax due or overpayment on Form IT-205. One check will be issued for the amount of a refund due, or the overpayment (or part of it) may be credited to the estate's or trust's 2015 estimated income taxes.

If the combined amount of New York State, New York City, and Yonkers tax liability results in a balance due, submit one check or money order payable to **NY State Income Tax** with the fiduciary return and Form IT-205-V. A balance due of more than one dollar must be paid with your return. It is not necessary to pay a balance due of one dollar or less.

An overpayment of more than one dollar will be refunded automatically. An overpayment of one dollar or less will be refunded only if requested in a separate signed statement submitted with the return.

Line 42 Estimated tax penalty – If line 41 is at least \$300 and represents more than 10% of the tax shown on the fiduciary return, or the fiduciary underpaid its estimated tax liability for any payment period, the fiduciary may owe a penalty. However, the fiduciary may not be subject to a penalty if its 2014 prepayments equal at least 100% of the income tax shown on the 2013 Form IT-205 (110% of that amount if the estate's or trust's New York adjusted gross income on that return is more than \$150,000 and less than two-thirds of the total federal gross income for 2013 or 2014 is from farming or fishing). A full 12-month year Form IT-205 must have been filed for 2013. Obtain Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals and Fiduciaries*, to see if the estate or trust owes a penalty and to figure the amount. The estimated tax penalty will apply to most trusts. It will also apply to estates (and certain grantor trusts that receive the residue of the decedent's estate under the decedent's will) with respect to any tax year ending two or more years after the date of death of the decedent. If the estate or trust owes a penalty, enter the amount on line 42 and submit Form IT-2105.9 with Form IT-205. This penalty will either reduce the overpayment or increase the amount you owe. For more information, see the instructions for Form IT-2105.9.

Do not include any other penalty or interest amounts on line 42.

Note: You may compute the interest and penalty by accessing our Web site, or you may call and we will compute the penalty and interest for you (see *Need help?* on page 17).

Schedule A

Federal taxable income of fiduciary

Lines 43 through 62 of Schedule A are similar to the lines of the schedule on page 1 of federal Form 1041. Enter on each applicable

line of Schedule A the amount reported on that federal schedule. If a capital gain or loss is reported on line 46, submit a copy of federal Schedule D and any related schedules. Instead of completing Schedule A, you may submit a copy of federal Form 1041.

Submit a copy of federal Schedule K-1 (Form 1041) for each beneficiary.

Schedule B

New York fiduciary adjustment

This schedule is used for computing the New York fiduciary adjustment, which is then allocated among the estate or trust and its beneficiaries in Schedule C. The additions and subtractions enumerated in Schedule B of Form IT-205 and in the instructions for lines 64, 65, and 68 that relate to items of income, gain, loss, or deduction of the estate or trust, constitute the fiduciary adjustment under section 619 of the Tax Law.

Payments for charitable purposes

The additions and subtractions for lines 63 and 67 need not be made with respect to any amount paid or set aside for charitable purposes.

Member of a partnership and shareholder of an S corporation

If the estate or trust has income from a partnership or S corporation, any of the additions or subtractions that apply to the income should be included in this schedule. The estate's or trust's share of the items should be provided by the partnership or S corporation. For information regarding these modifications, see the instructions for Form IT-225.

If you have any of the addition or subtraction modifications (see chart below) relating to your partnership or S corporation income, include the amount on the applicable line. For all other additions and subtractions relating to the estate's or trust's income from a partnership or S corporation, complete Form IT-225.

Modification code	Description	Line number
A-113	Interest income on state and local bonds and obligations	63
A-201	Personal income taxes and UBT deducted in determining federal income	64
S-125	Interest income on U.S. government bonds	67

Beneficiary of another estate or trust

If the estate or trust is a beneficiary of another estate or trust, the share of the fiduciary adjustment of the other estate or trust to be included in Schedule B of Form IT-205 may generally be obtained from its fiduciary. Submit a schedule showing how the fiduciary adjustment was figured.

If the adjustment is a net addition, enter the amount and **EA-901** on Form IT-225, line 5. If the adjustment is a net subtraction, enter the amount and **ES-901** on Form IT-225, line 14. Following the instructions for Form IT-225, transfer the amounts to Form IT-205, as applicable.

The estate or trust must make the additions and subtractions for the tax year of the S corporation, partnership, or estate or trust that ends within the estate's or trust's tax year. See *New York fiduciary adjustment* above.

Line 63 Interest income on state and local bonds other than New York – Enter any interest income on obligations of other states or political subdivisions of those states that the fiduciary received or that was credited to the fiduciary during 2014 that was not included in the fiduciary's federal adjusted gross income. This includes

interest income on state and local bonds (but not those of New York State and local governments within the state), interest and dividend income on tax-exempt bond mutual funds, and tax-exempt money market funds that invest in obligations of states other than New York (section 612(b)(1) of the Tax Law).

Line 64 Income taxes deducted on federal fiduciary return

All state, local, and foreign income taxes including unincorporated business taxes deducted on the federal fiduciary return are to be added back on line 64 with the exception of state income taxes imposed upon or paid by the S corporation to another state, political subdivision of another state, or the District of Columbia.

Line 65 Other additions – Some additions that are not as common as those identified individually on Form IT-205 are reported as other additions. The requirements for these additions to federal taxable income are provided for in New York Tax Law sections 612(b) and 612(r). Enter the amount from Form IT-225, line 9 (see instructions for Form IT-225).

Line 67 Interest income on United States government bonds

Enter the amount of interest income from U.S. government bonds or other government obligations that the estate or trust included in the amount reported on line 43. This may be all or part of the line 43 amount or it may be zero. Check the estate's or trust's interest income records to determine the correct amount to enter on line 67. Interest income on bonds or other obligations of the U.S. government is not taxed in New York State. Dividends received from a regulated investment company (mutual fund) that invests in obligations of the U.S. government and meets the 50% asset requirement each quarter qualify for the subtraction at line 67. Once this requirement is met, the portion of the dividends received that may be subtracted is based upon the portion of taxable income received by the mutual fund that is derived from federal obligations.

Further information relating to meeting the 50% asset requirement and computing the allowable subtraction (if any) can be obtained from the mutual fund.

If you include an amount on line 67 from more than one line above, submit a schedule showing the breakdown from each line.

Do not list the same interest more than once; see the instructions for Form IT-225.

Line 68 Other subtractions – Some subtractions that are not as common as those identified individually on Form IT-205 are reported as other subtractions. The requirement for these subtractions from federal taxable income is provided for in New York State Tax Law sections 612(c) and 612(r). Enter the amount from Form IT-225, line 18 (see instructions for Form IT-225).

Schedule C

Shares of New York fiduciary adjustment

The purpose of this schedule is to show the distribution of the New York fiduciary adjustment among the beneficiaries and the fiduciary of the estate or trust. The shares of the beneficiaries and of the fiduciary in the New York fiduciary adjustment (line 70 of Schedule B) are in proportion to their respective shares of the federal distributable net income of the estate or trust.

Enter in columns 1 and 2 the name, address, and identifying number of each beneficiary of the estate or trust. If the mailing address differs from the home address, give both. If a beneficiary is a New York State or Yonkers nonresident, mark an **X** in the appropriate box to the right of his or her name. If space is needed to list additional beneficiaries, submit a separate sheet of paper with the return formatted with the same information required in Schedule C. **Special rule if entire income is taxable to fiduciary** – If all of the income of the estate or trust is taxable to the fiduciary for the 2014 tax year, no entries are required in Schedule C of Form IT-205.

Column 3 – Enter the respective share of the federal distributable net income of each beneficiary and of the fiduciary on the

appropriate lines of column 3. Entries must be made in Schedule C for all beneficiaries, both resident and nonresident.

Column 4 – Determine the percentage interest of each beneficiary and of the fiduciary in the federal distributable net income of the estate or trust, based upon amounts in column 3, and enter that percentage on the appropriate line of column 4.

Column 5 – Enter the amount of the New York fiduciary adjustment (from line 70 of Schedule B) on the total line of column 5. The share of each beneficiary and of the fiduciary in the total amount is determined by multiplying the total fiduciary adjustment by the column 4 percentage.

If the estate or trust has no federal distributable net income, the share of each beneficiary in the fiduciary adjustment must be in proportion to his or her share of the estate or trust income for the tax year, under local law or the governing instrument, that is required to be distributed currently and any other amounts of the income distributed in that year. Any balance of the fiduciary adjustment not allocable to beneficiaries must be allocated to the estate or trust. If the shares in the New York fiduciary adjustment are apportioned in accordance with this paragraph, do not complete Schedule C. Instead, show the apportionment in a schedule submitted with the return.

If an item of income, gain, loss, or deduction is attributable to corpus or principal, or the beneficiaries do not share pro rata, and the applicable method set out above for apportioning the fiduciary adjustment results in an inequity as defined in the Personal Income Tax Regulations section 119.3, regarding alternate methods of attributing modifications, a fiduciary may, at his or her discretion, use the applicable method set forth in the regulations. If an alternate method is used, the fiduciary, in lieu of completing Schedule C, should submit with the return a schedule containing the information required under the applicable regulations.

If the New York fiduciary adjustment is a **positive** amount, **add** the fiduciary's share for a full-year resident estate or trust at line 4, on the front of Form IT-205, and **add** a resident beneficiary's share to the total federal income on his or her New York return. If the fiduciary adjustment is a **negative** amount, **subtract** their respective shares. For a nonresident estate or trust or a part-year resident trust, enter this amount on Form IT-205-A, Schedule 1, line 9, column a.

New York City and Yonkers fiduciary taxes

General instructions

City resident fiduciary tax

The fiduciary of a New York City or Yonkers resident estate or trust or part-year resident trust who is required to file a New York State fiduciary return must file a New York City or Yonkers fiduciary return for the estate or trust on the same New York State form on which the New York State tax liability is reported. If a form is required to be filed reporting a state separate tax on lump-sum distributions, the respective New York City separate tax is also required to be computed on the same state form.

Yonkers nonresident fiduciary earnings tax

The fiduciary of a nonresident estate or trust must file a Yonkers nonresident fiduciary earnings tax return on Form Y-206, *Yonkers Nonresident Fiduciary Earnings Tax Return*, if the estate or trust has income from wages earned or net earnings from self-employment in Yonkers.

The fiduciary of a part-year resident trust must also file Form Y-206 if the part-year resident trust has income from wages earned or net earnings from self-employment in Yonkers from the part-year nonresident period.

Wages as defined under IRC section 3401(a) include all payments and the cash value of all payments made in any form other than cash for services performed by a decedent employee for an employer.

Wages also include:

- the amount of IRC section 414(h) contributions shown on a decedent's wage and tax statement(s), federal Form W-2, made by the following:
 - a member of the New York State and Local Retirement Systems, which include the New York State Employees' Retirement System and the New York State Police and Fire Retirement System; **or**
 - a member of the New York State Teachers' Retirement System; **or**
 - a deceased employee of the State or City University of New York who belongs to the Optional Retirement Program; **or**
 - a member of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund or the New York City Fire Department Pension Fund; **or**
 - members of the Manhattan and Bronx Surface Transit Operating Authority (MABSTOA) Pension Plan.
- the IRC section 125 amount(s) shown on a decedent's wage and tax statement(s), federal Form W-2 that was deducted or deferred from that salary (Tax Law section 612(b) (31)) under a flexible benefits program established on behalf of the deceased employee by New York City and certain other New York City public employers (City University of New York, New York City Health and Hospitals Corporation, New York City Transit Authority, New York City Housing Authority, New York City Off-Track Betting Corporation, New York City Rehabilitation Mortgage Insurance Corporation, New York City Board of Education, New York City School Construction Authority, MABSTOA, or the Staten Island Rapid Transit Authority).

Wages do not include unemployment compensation, fees paid to a public officer, payment for active service as a member of the armed forces of the United States, or difficulty of care payments erroneously reported as wages.

Other employee compensation includes but is not limited to salaries, fees, bonuses, tips, commissions on sales or on insurance premiums, vacation allowances, and severance pay subject to withholding under IRC section 3401(a).

Net earnings from self-employment, as defined under IRC section 1402(a), consist of gross income from any trade or business less trade or business deductions allowed under the IRC, plus the taxpayer's distributive share (whether or not distributed) of income or loss from a trade or business carried on by a partnership of which the taxpayer is a member. **Limited partners** are only considered to receive net earnings from self-employment if the income received represents guaranteed payments for services rendered. The deduction for wages and salaries paid or incurred for the tax year, that was disallowed according to IRC section 280C, is allowed in computing your net earnings from self-employment.

Net earnings from self-employment **do not** include any of the following:

- rental income from real estate and from personal property leased with the real estate, together with the deductions attributed to it, unless received in the course of a trade or business as a real estate dealer;
- dividends and interest not received in the ordinary course of a trade or business as a dealer in stocks or securities;
- gain or loss from the sale or exchange of capital assets, or from the sale, exchange, or involuntary conversion of property other than stock in trade;
- any deduction for net operating losses; **or**
- retirement payments received by a partner according to a written plan and excluded under IRC section 1402(a)(10).

A nonresident estate or trust is deemed to have net earnings from self-employment determined in the same manner as if it were an individual subject to the federal tax on self-employment income,

reduced by deductions allowed under the IRC for (a) amounts paid or permanently set aside for charitable purposes, and (b) income distributed or required to be distributed currently and corpus credited or required to be distributed to the extent that they represent distributions or payments to a resident of the city. (See instructions on Form Y-206 for lines 2 and 4.)

For the definition of a **city** resident and nonresident estate or trust and part-year resident trust, refer to the definitions of a New York State resident and nonresident estate or trust on page 2 of these instructions and substitute the word *City* in place of the word *State*.

City forms to be filed

Forms IT-205, IT-230, and Y-206 should be completed for estates and trusts as follows:

New York City resident estate or trust

Complete the required New York City areas on the same Form IT-205 filed for New York State purposes.

Form IT-230, Separate Tax on Lump-Sum Distributions – The New York City taxable income on lump-sum distributions of an estate or trust is the same as the New York State taxable income on lump-sum distributions on Form IT-230. (See *Form IT-230* on page 3 of these instructions.)

Yonkers resident estate or trust

Complete the Yonkers line on the same Form IT-205 filed for New York State purposes.

Yonkers nonresident estate or trust and part-year resident trust

Complete Form Y-206 and transfer the amount from line 10 to Form IT-205, line 27.

New York City or Yonkers part-year resident trust

Complete New York City Worksheet A on page 2 of the instructions for Form IT-205-A or Yonkers Worksheets B and C on page 4 of the instructions for Form IT-205-A. Transfer the total to Form IT-205, line 15b or line 26 as applicable.

Form Y-206 is due at the same time as the New York State fiduciary return and must be submitted with it.

Yonkers tax returns for individuals

Every fiduciary who acts for a nonresident individual whose entire income is in the fiduciary's charge (for example, a guardian or committee for an incompetent person) must make a return for the nonresident individual on Form Y-203 (if that individual is subject to the tax), and pay the tax due.

Change of city residence of trust

If the person whose property constitutes a revocable trust has changed his or her domicile from or to New York City or Yonkers between the time of transfer of the property to the trust and the time it becomes irrevocable, the residence of the trust will be deemed to have been changed at the date it ceases to be revocable. In this case the fiduciary must, for the tax year in which the change of status of trust occurs, include on Form IT-205-A, Schedule 4, column c or column d, any item of income, gain, loss, or deduction the trust received or accrued up to the time the trust changed its residence, and complete a return as a nonresident trust (on Form Y-206) for the portion of the year during which the trust is a Yonkers nonresident trust. Income, gain, loss, or deduction for the year of change is subject to the applicable special accruals permitted or required by law to the extent they affect the taxable income of the fiduciary. In addition, the exemption of the trust must be prorated according to the period of residence.

The *General instructions* and *Specific instructions* on pages 2 through 8 of this form, regarding tax returns for individuals and decedents, exempt trusts, special depreciation, use of federal

figures, whole dollar amounts, penalties, accounting periods, and federal changes also apply for purposes of the New York City and Yonkers resident estates and trusts, Yonkers nonresident estates and trusts, and New York City and Yonkers part-year resident trusts, if applicable.

Specific instructions

New York City resident tax

The New York City taxable income is the same as the New York State taxable income shown on Form IT-205, line 5.

Line 15a New York City resident tax – Compute the New York City income tax on the amount on line 5 using the *New York City tax rate schedule*. Enter the amount of New York City income tax on line 15a.

New York City tax rate schedule (for line 15a)

If the amount on Form IT-205, line 5 is:		The tax is:	
over	but not over		
\$ 0	\$12,000	2.907%	of the city taxable income
12,000	25,000	\$ 349 plus 3.534%	of excess over \$12,000
25,000	50,000	808 plus 3.591%	“ “ “ 25,000
50,000	500,000	1,706 plus 3.648%	“ “ “ 50,000
500,000		18,122 plus 3.876%	“ “ “ 500,000

Line 15b New York City part-year resident tax – Enter on line 15b the amount of New York City part-year resident tax from Form IT-205-A-I, page 2, Worksheet A, line b.

Line 16 – Enter on line 16 the amount of New York City tax on the capital gain portion of the estate’s or trust’s lump-sum distribution from Form IT-230, Part 2, line 2. Submit Form IT-230 with Form IT-205.

Line 18 – If an accumulation distribution has been made, submit a statement showing the computation of the credit claimed and enter on line 18. See *Accumulation distribution credit* on page 5.

Line 20 New York City separate tax on lump-sum distributions
Enter the amount of any New York City separate tax on lump-sum distributions from Form IT-230, line 24, *New York City* column. Submit Form IT-230 with Form IT-205. Enter any New York City tax on the S portion of an electing small business trust (ESBT).

Line 22 Other New York City credits – Enter on this line the total of the following nonrefundable New York City credits. Submit all applicable credit forms.

- New York City unincorporated business tax credit (Form IT-219)
- General corporation tax paid credit (Form IT-222)

Line 25 Yonkers resident income tax surcharge – Enter on this line the estate’s or trust’s Yonkers resident income tax surcharge from the *Yonkers worksheet*, line e, below. However, if the estate or trust did not make an entry on line 14, leave line 25 blank also.

Yonkers worksheet	
a	Amount from line 14..... a _____
b	Refundable credits from line 33 (less any claim of right credit from Form IT-257) b _____
c	Subtract line b from line a..... c _____
d	Yonkers resident tax rate (16.75%) d .1675
e	Multiply line c by line d. Enter this amount here and on Form IT-205, line 25..... e _____

Line 26 Yonkers part-year resident tax – Enter on line 26 the amount of Yonkers part-year resident tax from the instructions for Form IT-205-A, page 4, Worksheet C, line 14.

Line 27 Yonkers nonresident fiduciary earnings tax
Compute the Yonkers nonresident fiduciary earnings tax on Form Y-206 and enter the tax on Form IT-205, line 27. Submit Form Y-206 with Form IT-205.

Sales or use tax (line 28)

Report the sales or use tax liability for the estate or trust on this line.

An estate or trust owes sales or compensating use tax if it:

- purchased an item or service subject to tax that is delivered in New York State without payment of New York State and local tax to the seller; or
- purchased an item or service outside New York State that is subject to tax in New York State (and the estate or trust was a resident of New York State at the time of purchase) with subsequent use in New York State. **Note:** The estate or trust may be entitled to a credit for sales tax paid to another state. See the exact calculation method in the instructions for Form ST-140, *Individual Purchaser’s Annual Report of Sales and Use Tax*.

An estate or trust that is carrying on a business, trade, profession, or employment in New York State is a *resident* for sales and use tax purposes, of the state and of any county or city in which the estate or trust is carrying on these activities, with respect to purchases of taxable property or services used in these activities.

An estate or trust may not use this line to report:

- any sales and use tax on business purchases if the business is registered for sales and use tax purposes. The estate or trust must report this tax on the business’s sales tax return.
- any unpaid sales and use tax on motor vehicles, trailers, all-terrain vehicles, vessels, or snowmobiles. This tax is paid directly to the Department of Motor Vehicles.

An unpaid sales or use tax liability commonly arises if the estate or trust made purchases through the Internet, by catalog, from television shopping channels, or on an Indian reservation, or if it purchased items or services subject to tax in another state and brought them back to New York for use here.

Example: *The estate or trust purchased a computer over the Internet that was delivered to a business of the estate or trust in Monroe County, New York, from an out-of-state company and did not pay sales tax to that company.*

The estate or trust may also owe an additional **local** tax if it made a purchase in a locality in New York State and brought the item into or subsequently used the service in another New York State locality where it was a resident and that locality had a higher tax rate than where the purchase was made.

Failure to pay sales or use tax may result in the imposition of penalty and interest. The Tax Department conducts routine audits based on information received from third parties, including the U.S. Customs Service and other states.

If the estate or trust owes sales or use tax, it may report the amount owed on its fiduciary income tax return rather than filing Form ST-140. However, the estate or trust must use Form ST-140 to calculate the sales and use tax liability to be reported on this return.

Include the amount from Form ST-140, line 4, on Form IT-205, line 28. **Do not submit Form ST-140 with the return.**

If the amount reported on line 28 is \$1,700 or more, the estate or trust must complete Form IT-135, *Sales and Use Tax Report for Purchases of Items and Services Costing \$25,000 or More*, and submit it with the return.

If the estate or trust does not owe any sales or use tax, it must enter 0 on line 28. Do not leave line 28 blank.

For additional information on when an estate or trust may owe sales or use tax to New York, see TB-ST-913, Use Tax for Individuals (including Estates and Trusts). For more information on taxable and exempt goods and services, see TB-ST-740, *Quick Reference Guide for Taxable and Exempt Property and Services*.

Privacy notification

New York State Law requires all government agencies that maintain a system of records to provide notification of the legal authority for any request, the principal purpose(s) for which the information is to be collected, and where it will be maintained. To view this information, visit our Web site, or, if you do not have Internet access, call and request Publication 54, *Privacy Notification*. See *Need help?* for the Web address and telephone number.

Need help?



Visit our Web site at www.tax.ny.gov

- get information and manage your taxes online
- check for new online services and features



Text Telephone (TTY) Hotline (for persons with hearing and speech disabilities using a TTY): If you have access to a TTY, contact us at (518) 485-5082. If you do not own a TTY, check with independent living centers or community action programs to find out where machines are available for public use.



Telephone assistance

Automated income tax refund status: (518) 457-5149

Personal Income Tax Information Center: (518) 457-5181

To order forms and publications: (518) 457-5431



Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, call the information center.

E-file your return



Using software?

You must e-file if your software allows you to e-file your return. You must e-file if you are a tax preparer who meets the e-file mandate. Visit www.tax.ny.gov for further information.



Pay a balance due by authorizing the Tax Department to withdraw the payment from your bank account (electronic funds withdrawal) or submit a check or money order with Form IT-205-V, *Payment Voucher for Fiduciary Income Tax Returns*.