



Instructions for Form DTF-686

Tax Shelter Reportable Transactions

DTF-686-I

General information

The Tax Law provides for reporting requirements with respect to the disclosure of information relating to transactions that present the potential for tax avoidance (a tax shelter). These requirements are similar to the tax shelter disclosure requirements for federal income tax purposes. The Tax Law also imposes penalties for nondisclosure and the underpayment of taxes due to participation in these transactions, and extends the statute of limitations for assessments relating to these transactions.

For more information, see TSB-M-05(2)C or TSB-M-05(4)I, *Disclosure of Certain Transactions and Related Information Regarding Tax Shelters*, TSB-M-05(2.1)C or TSB-M-05(4.1)I, *Supplement to the Disclosure of Certain Transactions and Related Information Regarding Tax Shelters*, and TSB-M-07(1)C, *Additional Supplement to the Disclosure of Certain Transactions and Related Information Regarding Tax Shelters*.

For more information concerning the reporting requirements for New York reportable transactions, see New York Codes, Rules, and Regulations (NYCRR) Title 20, Part 2500, *New York Reportable Transactions*. The full text of the regulations may be obtained by visiting our Web site (see *Need help?*).

Who must file

Federal disclosure requirements – Every taxpayer or person required to file a return or report under Tax Law Article 9, 9-A, 22, or 33 on or after June 13, 2005, who is or was also required to file a disclosure statement related to a reportable transaction or a listed transaction with the Internal Revenue Service (IRS) (pursuant to Internal Revenue Code (IRC) section 6011), must disclose that information with their New York State return or report. Disclosure is required if the taxpayer or person participated in tax shelter activities prior to July 1, 2015, and if a disclosure statement related to a reportable transaction or a listed transaction was required to be filed with the IRS.

The term *return or report* includes original returns or reports and amended returns or reports.

Each taxpayer or person must make its own disclosure even though one member of an affiliated group, as defined by IRC section 1504, may file the disclosure statement with the IRS on behalf of its affiliates including the taxpayer or person. For Article 22 taxpayers, a group agent who is authorized to file a group return on behalf of a group of nonresident members must make this disclosure with the group return; the individual group members are not required to make this disclosure. A nonresident individual who participates in a group return is not required to disclose listed or reportable transactions that do not affect New York source income.

A taxpayer or person who files a return or report under Tax Law Article 9, 9-A, 22, or 33 includes:

- corporations subject to tax under Tax Law Article 9, section 183, 184, 185, or 186 and persons subject to tax under Tax Law Article 9, section 186-a or 186-e,
- general business corporations (Article 9-A),
- individuals including sole proprietors, partnerships including a limited liability company (LLC) that is treated as a partnership for federal income tax purposes, estates and trusts, partners in a partnership including members of an LLC that is treated as a partnership for federal income tax purposes, shareholders of an S corporation, and beneficiaries of an estate or trust (Article 22), **and**

- insurance corporations and captive insurance companies (Article 33).

Exceptions:

- 1) For tax years beginning prior to January 1, 2004, see TSB-M-05(2.1)C or TSB-M-05(4.1)I concerning collective disclosure election for large partnerships, and abbreviated disclosure statements for a taxpayer that is a partner of a large partnership.
- 2) For tax years beginning prior to January 1, 2004, see TSB-M-05(2.2)C or TSB-M-05(4.2)I, *Additional Supplement to the Disclosure of Certain Transactions and Related Information Regarding Tax Shelters*, concerning collective disclosure election for large trusts, and abbreviated disclosure statements for a taxpayer that is a beneficiary of a large trust.
- 3) Members of a federal consolidated return, see TSB-M-07(1)C concerning consolidated disclosure.
- 4) For information concerning the reporting requirements for reportable transactions that have been delisted by the IRS, see TSB-M-05(2.1)C or TSB-M-05(4.1)I.

New York reportable transaction disclosure requirements –

For tax years beginning on or after January 1, 2006, taxpayers who participate in New York reportable transactions are required to disclose their participation with their tax return for that tax year. A *New York reportable transaction* is a transaction that has the potential to be a tax avoidance transaction under Tax Law Article 9, 9-A, 22, or 33. There are three categories of New York reportable transactions: New York listed transactions, New York confidential transactions, and New York transactions with contractual protection. For information on the three categories, see 20 NYCRR Part 2500. See Form DTF-686-ATT-I, *Instructions for Form DTF-686-ATT*, for more information on the reporting requirements.

When to file

Disclosure is not required for tax shelter activities in which the taxpayer or person participated on or after July 1, 2015.

Federal disclosure requirements – Attach to Form DTF-686 a duplicate of the IRS disclosure statement (currently IRS Form 8886) and any related information submitted to the IRS. Attach Form DTF-686 to the return or report filed by the taxpayer or person for the current tax year.

In addition, the taxpayer or person must also disclose with their **first** return or report filed on or after June 13, 2005:

- all disclosure statements that were required to be filed with the IRS at any time with respect to listed transactions for which the taxpayer or person was also required to file a New York State return or report for the tax year in which the transaction occurred under Tax Law Article 9, 9-A, 22, or 33, and
- all disclosure statements that were required to be filed with the IRS with respect to reportable transactions, other than listed transactions, in which the taxpayer participated during any tax year for which the statute of limitations for assessment has not expired as of April 12, 2005. For this purpose, the statute of limitations for assessment under Tax Law, Article 22, section 683 and Article 27 section 1083 in effect prior to April 12, 2005, is used.

New York reportable disclosure requirements – Complete one Form DTF-686-ATT, *New York Reportable Transaction Disclosure Statement and Request for a Determination*, for each New York reportable transaction. Attach each Form DTF-686-ATT to Form DTF-686. Attach Form DTF-686 to the return or report filed by the taxpayer or person for the current tax year.

Line instructions

You must mark at least one box on either line 1 or line 4, as applicable.

Line 1 – Mark an **X** in each box that you have identified and checked on the attached IRS Form(s) 8886. If box 1A is marked, you must enter on line 3 the applicable code(s) for each federal listed transaction being reported.

Line 3 – Enter in each box the applicable code from the table below that corresponds to **each** transaction being reported.

Code	Federal listed transactions
01	Revenue Ruling 90-105
02	Notice 95-34
03	ASA Investing Partnership vs. Commissioner
04	Treasury Regulation 1.643(a)-8
05	Notice 99-59
06	Treasury regulation 1.7701(l)-3
07	Revenue Ruling 2000-12
08	Notice 2000-44
09	Notice 2000-60
10	Notice 2000-61
11	Notice 2001-16
12	Notice 2001-17
13	Notice 2001-45
14	Notice 2002-21
15	Notice 2002-35
16	Notice 2002-50
17	Revenue Ruling 2002-69
18	Revenue Ruling 2003-6
19	Notice 2003-22
20	Notice 2003-24
21	Notice 2003-47
22	Notice 2003-55
23	Notice 2003-77
24	Notice 2003-81
25	Notice 2004-8
26	Revenue Ruling 2004-4
27	Revenue Ruling 2004-20
28	Notice 2004-20
29	Notice 2004-30
30	Notice 2004-31
31	Notice 2005-13
32	Notice 2007-57
33	Notice 2007-83
34	Notice 2008-34
35	Other

For additional information on these transactions, refer to the IRS Web site, www.irs.gov.

Line 4 – Mark an **X** in each box that applies to a transaction for which a Form DTF-686-ATT is attached.

Waiver of the secrecy provisions of the Tax Law for purposes of a consolidated disclosure – The corporation designated as being responsible for filing the copy of the federal disclosure statement on behalf of all New York State filers that are members of the federal consolidated group must sign the waiver when completing its Form DTF-686. **In addition**, each corporation on whose behalf the consolidated disclosure is being made must also sign the waiver when completing its abbreviated Form DTF-686.

Additional tax shelter recordkeeping requirements

Every person required by Tax Law, Article 1, section 25 to disclose any transaction, file any duplicate return, or maintain any list, must retain all relevant correspondence, memoranda, notes, valuation studies, meeting minutes, spreadsheets, models, opinions, records required to be retained pursuant to IRC section 6011, and all other records or documents related to the disclosure, filing, and list maintenance requirements of Tax Law section 25 for six years. The information must be made available for inspection in connection with any examination.

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



Telephone assistance

Corporation Tax Information Center: (518) 485-6027

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

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

Text Telephone (TTY) Hotline (for persons with hearing and speech disabilities using a TTY): (518) 485-5082



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.

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.