



# Instructions for Form CT-34-SH

## New York S Corporation Shareholders' Information Schedule

# CT-34-SH-I

### Filing requirements

You must attach Form CT-34-SH to Form CT-3-S.

Attach a federal Schedule K-1, filed with federal Form 1120S, for each shareholder. To determine the amount reported for personal income tax purposes, each nonresident shareholder must determine the amount of business income, losses, and deductions reported on federal Schedule K-1 and derived from New York State sources by using the business apportionment factor from your franchise tax return.

### Schedule A – Shareholders' New York State modifications and credits

#### Part 1 – Total shareholder modifications related to S corporation items

Each shareholder's pro rata share of the modifications from Form CT-225, *New York State Modifications*, and those listed below must be added to or subtracted from each shareholder's federal adjusted gross income or federal itemized deductions on his or her individual New York State income tax return to determine his or her New York State income and New York State itemized deductions, respectively.

If a New York S corporation is on a fiscal-year basis, the amount of any listed modification for the shareholders is their pro rata share for the S corporation year ending within the tax year of each shareholder.

**Partners** – If the S corporation has income from a partnership, include any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, on the applicable lines below. Obtain your share of partnership additions and subtractions from the partnership.

**Beneficiaries (estates and trusts)** – If the S corporation has income from an estate or trust, any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment.

Complete Form CT-225 as follows:

- If the adjustment is a net addition, enter the amount and addition modification number **EA-901** on line 3 of that form.
- If the adjustment is a net subtraction, enter the amount and subtraction modification number **ES-901** on line 8 of that form.

If you filed federal Form 4970, *Tax on Accumulation Distribution of Trusts*, see addition modification **A-114** in the instructions for Form CT-225.

**Note:** Use lines 1 through 5 to list only those additions or subtractions that apply to federal adjusted gross income on the individual returns of shareholders. Use lines 6 and 7 to list those additions or subtractions that apply to federal itemized deductions.

#### Additions

##### Line 1 – New York franchise taxes

Enter the Article 9-A corporate franchise tax to the extent the tax was excluded from federal income (Article 22 section 612(b)(3)).

##### Line 2 – Federal depreciation deduction

Enter the federal depreciation deduction from Form CT-399, *Depreciation Adjustment Schedule*, line 3, column E, or line 10, column A (section 612(b)(8), (25), and (27)).

##### Line 3 – Other additions

Attach Form CT-225 to report any additions that apply to the items of New York S corporation income, loss, and deduction, and enter the total of these additions from Form CT-225, line 5.

#### Subtractions

##### Line 4 – Allowable New York depreciation

Enter the total allowable New York depreciation from Form CT-399, line 3, column I, or line 10, column B (section 612(c)(16), (26), and (28)).

##### Line 5 – Other subtractions

Attach Form CT-225 to report any subtractions that apply to the items of New York S corporation income, loss, and deduction, and enter the total of these subtractions from Form CT-225, line 10.

#### Other items

**Note:** Lines 6 and 7 should be used only for additions or subtractions to federal itemized deductions on the individual returns of shareholders and should exclude any amounts properly reportable on lines 3 and 5. Attach a statement identifying by letter and amount the following additions or subtractions to the shareholders' federal itemized deductions that must be made as a result of New York S corporation items.

##### Line 6 – Additions to federal itemized deductions

- A. Interest expense on money borrowed to buy or carry bonds or securities subject to New York State income tax, but exempt from federal income tax, if this interest expense was not deducted on the federal return or subtracted on line 5.
- B. Ordinary and necessary expenses paid or incurred during the tax year in connection with income, or property held to produce income, that is subject to New York State income tax, but exempt from federal income tax, if these expenses were not deducted on the federal return or subtracted on line 5.
- C. Amortization of bond premium attributable to the tax year on any bond whose interest income is subject to New York State income tax, but exempt from federal income tax, if this amortization was not deducted on the federal return or subtracted on line 5.

##### Line 7 – Subtractions from federal itemized deductions

- A. State, local, and foreign income taxes properly deductible as a federal itemized deduction rather than a deduction for federal adjusted gross income (FAGI).
- E. Interest expense on money borrowed to buy or carry bonds or securities whose income is exempt from New York State income tax, if not added on line 3.
- F. Ordinary and necessary expenses paid or incurred in connection with income, or property held to produce income, that is exempt from New York State income tax, if not added on line 3.
- G. Amortization of bond premium attributable to the tax year on any bond whose interest income is exempt from New York State income tax, if not added on line 3.
- H. Article 23 MCTMT properly deductible as a federal itemized deduction rather than a deduction for FAGI.

#### Part 2 – Total S corporation New York State credits and taxes on early dispositions (lines 8 through 104)

Enter on the appropriate line the amount of any tax credits originating this year, and the amount of recapture of any tax credit that originated in a tax year in which the corporation was a New York S corporation (*New York S year*). Attach the applicable

credit claim form(s). Shareholders must include their pro rata shares of each of these tax credits and recapture amounts in computing their personal income tax returns.

S corporations that are partners in partnerships must complete any applicable credit claim forms and attach them to Forms CT-3-S and CT-34-SH.

Exceptions:

- Qualified empire zone enterprise (QEZE) tax reduction credit (see instructions for lines 31 through 34).
- Farmers' school tax credit (see instructions for lines 35 through 38).
- START-UP New York tax elimination credit (see instructions for lines 14 through 18).

Do not include any recapture of a tax credit that originated in a tax year in which the corporation was a New York C corporation (*New York C year*). Include these amounts on the applicable lines of your S corporation franchise tax return.

Tax credits that originate in a New York S year:

- flow through in pro rata shares to the individual shareholders of the New York S corporation under Article 22,
- cannot be applied against the New York State corporation franchise tax in a New York S year, and
- cannot be applied against the New York State corporation franchise tax in a New York C year.

Tax credits that originate in a New York C year:

- do not flow through to the individual shareholders of the New York C corporation under Article 22,
- cannot be applied against the New York State corporation franchise tax in a New York S year, and
- can be applied against the New York State corporation franchise tax in a New York C year.

Both a New York C year and a New York S year are counted as a tax year for the carryforward of tax credits.

**Exception:** The credit for the special additional mortgage recording tax is allowed to the corporation and does not flow through to the shareholders.

#### **Lines 8 through 18 – START-UP NY tax credits**

**Line 8** – Enter the number from the *Certificate of Eligibility* issued to the approved START-UP NY business.

**Line 9** – You may claim the credits for 10 consecutive tax years starting with the first tax year the approved START-UP NY business that was issued the *Certificate of Eligibility* locates in a tax-free NY area. Enter a number from 1 to 10. Failure to qualify for credits for any of those years does not extend the 10-year benefit period.

**Line 10** – An S corporation that is passing through to its shareholders START-UP NY telecommunication services excise tax credit amounts passed through to the S corporation from a partnership must include on this line all amounts of credit received from each partnership in addition to any amount of credit that is generated by the S corporation.

**Lines 12 and 13** – Only enter the tax elimination credit tax-free NY area allocation factor and the business allocation factor of the S corporation itself, as reported on Form CT-638, *START-UP New York Tax Elimination Credit*.

#### **Lines 14 through 18 – S corporations that are corporate partners**

An S corporation that is passing through to its shareholders the tax elimination credit tax-free NY area allocation factor and the business allocation factor that were passed through to the S corporation from the partnership reports this information on lines 17

and 18. When reporting this information, include the partnership's employer identification number (EIN), START-UP NY business certificate number (from the *Certificate of Eligibility* issued to the approved business), and year of the START-UP NY business tax benefit period obtained from the partnership on lines 14, 15, and 16. An S corporation must also report to its shareholders the pro rata share of the income attributable to the START-UP NY partnership that is allocated to New York State (for more information, see Form CT-638-I, *Instructions for Form CT-638*, Schedule C, Part 2).

#### **Lines 19 through 22 – Investment tax credits**

The investment tax credit is allowed at a reduced rate to shareholders of a New York S corporation. The rate is:

- 4% on property other than research and development property, and
- 7% on research and development property.

When computing an investment tax credit on property placed in service on or after January 1, 1997, the shareholders of a New York S corporation may claim an employment incentive credit for each of the two years following the investment credit year. Include on line 19 the amount of employment incentive credit computed on Form CT-46, *Claim for Investment Tax Credit (Includes Employment Incentive Credit)*.

#### **Lines 23, 24, and 25 – Empire zone (EZ) tax credits**

The EZ investment tax credit on Form CT-603, *Claim for EZ Investment Tax Credit and EZ Employment Incentive Credit*, has expired for all businesses except qualified investment projects (QUIPs). For more information, see Form CT-603 and its instructions.

The shareholders of a New York S corporation may claim an EZ employment incentive credit for each of the three years following the EZ investment tax credit year. Include on line 23 the amount of EZ employment incentive credit computed on Form CT-603.

#### **Lines 26 through 34 – Qualified empire zone enterprise (QEZE) tax credits**

**Line 26** – An S corporation that is passing through to its shareholders QEZE real property tax credit amounts passed through to the S corporation from a partnership must include on this line all amounts of credit received from each partnership in addition to any amount of credit that is generated by the S corporation.

**Line 27** – An S corporation that is required to pass through to its shareholders amounts of recapture of QEZE real property tax credit that were passed through to the S corporation from a partnership must include on this line all amounts of recapture received from each partnership in addition to any amount of recapture that is generated by the S corporation.

**Lines 28, 29, and 30** – Only enter the employment increase factor, zone allocation factor, and benefit period factor of the S corporation itself, as reported on Form CT-604, *Claim for QEZE Tax Reduction Credit*.

#### **Lines 31 through 34 – S corporations that are corporate partners**

An S corporation that is passing through to its shareholders the employment increase factor, zone allocation factor, and benefit period factor that were passed through to the S corporation from a partnership reports this information on lines 32, 33, and 34. When reporting this information, include the employer identification number (EIN) of the partnership on line 31. An S corporation must also report to its shareholders the pro rata share of the income attributable to the QEZE partnership that is allocated to New York State (for more information, see Form CT-604-CP-I, *Instructions for Form CT-604-CP*, Worksheet A).

**Lines 35 through 38 – Farmers' school tax credit**

S corporations do not complete Form CT-47, *Claim for Farmers' School Tax Credit*. Instead, the shareholders use their pro rata shares of the amounts on lines 35 through 38 to claim the credit on Form IT-217, *Claim for Farmers' School Tax Credit*. Include on these lines any amounts of these items that have been passed through to the S corporation from a partnership.

**Line 35 – Qualified agricultural property** includes land and land improvements located in New York State that are used in agricultural production. It also includes property you purchased under a land sales contract that is considered owned by you if you are obligated under the land sales contract to pay school district property taxes on the purchased property, and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

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

*Qualified agricultural property* also includes structures and buildings (except for buildings used by the corporation for residential purposes) that are located on the land and used or occupied to carry out agricultural production.

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

A structure or building **does not qualify** if it is used for: (1) the processing of agricultural commodities; (2) the retail merchandising of agricultural commodities; (3) the storage of commodities for the personal use of the corporation or its shareholders; or (4) the personal residence of any of the officers of the corporation.

**Note:** If you are producing maple syrup or cider, or selling wine from a farm winery, the buildings and structures used to process the sap into syrup, the apples into cider, or the grapes into wine are considered qualified agricultural property, even though the property is used in processing.

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

A *residence* includes a structure such as a house, a mobile home, and any other buildings associated with it, such as garages or sheds, that are used for residential purposes.

**Note:** Land and structures owned by the S corporation and used in agricultural production are qualified agricultural property even if the agricultural production is carried on by someone else. For example, if land and buildings owned by the S corporation are rented to another person who actually uses the property for agricultural production, then the land and buildings are qualified agricultural property for the S corporation.

For more information concerning qualified agricultural property, see Publication 51, *Questions and Answers on New York State's Farmers' School Tax Credit*, and Publication 51.1, *Update to Publication 51 Questions and Answers on New York State's Farmers' School Tax Credit*.

**Line 36 – Eligible school district property taxes** are real property taxes levied by a school district on qualified agricultural property **owned** by the S corporation. Real property taxes levied by towns, villages, cities, or their municipal governments are not eligible school district property taxes. Eligible school district property taxes include school district taxes paid on qualified property the S corporation owns but rents to someone else. However, eligible school district property taxes do not include school district property taxes paid on qualified agricultural property you rent from someone else, even if the rental agreement provides that you must actually pay the taxes.

Real property taxes levied by a school district include all property taxes, special ad valorem levies, and special assessments levied by a school district. Also included are taxes levied by a school district for the support of local libraries. Penalties and interest are not included.

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

**Do not include** school taxes paid on property converted to nonqualified use during the year. (See the definition for *conversion to nonqualified use* in the line 37 instructions.)

If the S corporation continues to own the property after the conversion, and the converted property is included as part of the total school tax bill, the S corporation may allocate the taxes to the converted property on the basis of the amount of acreage converted to the total acreage covered by the tax bill.

If the converted property is sold, the closing documents will show the amount of school taxes reimbursed to the S corporation by the buyer. The S corporation must reduce its current year's eligible school district taxes paid by the amount of these reimbursed taxes. For more information on eligible taxes, see Publications 51 and 51.1.

**Line 37 –** Enter any acres of property that were converted to nonqualified use during the tax year. *Conversion to nonqualified use* means an outward or affirmative act changing the use of the agricultural property. The idling, nonuse, or sale of the property is not by itself a conversion.

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

**Example 2:** *You discontinue farming during the current tax year, but continue to hold the farm property for investment purposes. This would **not** constitute a conversion to nonqualified use.*

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

**Line 103 –** A New York City resident individual, estate or trust, whose city adjusted gross income includes a pro rata share of income, loss, and deductions from one or more New York S corporation or exempt qualified subchapter S subsidiary (QSSS) may be eligible for a credit on their personal income tax return for New York City general corporation tax (GCT) paid on their pro rata share of income, loss, and deductions, by the New York S corporation or QSSS. Form IT-222, *General Corporation Tax Credit*, is used to claim the credit.

An S corporation does not file Form IT-222 or compute the pro rata share of the credit for their shareholders. Instead, the S corporation must enter the amount of GCT tax paid **plus** the unincorporated business tax (UBT) paid credit (if paid by the partnership of which you are a corporate partner). Shareholders will use their pro rata share of the amount entered on this line to claim the credit for New York City general corporation tax paid on Form IT-222.

**NYC-3A and NYC-3L filers:** Add the amounts from the *UBT Paid Credit* line and the *Net tax after credits* line from the NYC form you are filing and enter the result.

**NYC-4S and NYC-4SEZ filers:** Enter the amount from the *Tax* line from the NYC form you are filing and enter the result.

**Line 104 –** If you are claiming a tax credit or recapture for which no line is provided on Form CT-34-SH, enter the name(s) of the tax credit(s), recapture(s), and form number(s). Provide shareholders of the New York S corporation with their pro rata share of the credit(s) or recapture(s) that can be claimed on their tax return.

## **Schedule B – Shareholders' identifying information**

You must complete Schedule B and provide the identifying information for each shareholder (photocopy Schedule B, as needed). Provide each shareholder's name and address (as it appears on the federal Schedule K-1 you attach), either the social security number (SSN) or the EIN, the shareholder's ownership percentage in the corporation, and the shareholder's residency status. Complete this information for each shareholder who held an interest in the S corporation at any time during the tax year.

## **Need help? and Privacy notification**

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

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