



# Instructions for Form IT-558

## New York State Adjustments due to Decoupling from the IRC

# IT-558-I

### General information

For tax years beginning before January 1, 2022, the 2020-2021 New York State budget (Part WWW of Chapter 58 of the Laws of 2020) decoupled personal income tax from any amendments made to the Internal Revenue Code (IRC) after March 1, 2020. This includes changes made by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and any other federal changes to the IRC. Therefore, any amendments made to the IRC after March 1, 2020, will not apply to New York State or New York City personal income tax.

Complete Form IT-558 and submit it with your return to report any New York State addition and subtraction adjustments required to recompute federal amounts using the rules in place prior to any changes made to the IRC after March 1, 2020.

**Note:** These addition and subtraction adjustments are separate from the addition and subtraction modifications reported on Form IT-225, *New York State Modifications*. You may need to file both Form IT-558 and Form IT-225.

Refer to the charts found on page 5 for a listing of addition and subtraction adjustment(s) for your specific filing that may be entered on this form.

Submit Form IT-558 with Form IT-201, *Resident Income Tax Return*; IT-203, *Nonresident and Part-Year Resident Income Tax Return*; IT-204, *Partnership Return*; or IT-205, *Fiduciary Income Tax Return*.

### Special symbol

The following symbol alerts you to important information and filing shortcuts.



Caution

### Line instructions

Enter the name and Social Security number (SSN) or employer identification number (EIN) as shown on Form IT-201, IT-203, IT-204 or IT-205. If you are filing a joint personal income tax return, enter both spouses' names and the SSN of the taxpayer listed first on your Form IT-201 or IT-203.

Mark an **X** in the appropriate box identifying the return with which you are submitting Form IT-558.

Use the instructions below to determine which parts of this form you should complete. **If more than one set of instructions applies, follow all the instructions that apply to you.**

#### Individuals, partnerships, and estates or trusts

- Complete Schedule A, Part 1, to report your New York additions.
- Complete Schedule B, Part 1, to report your New York subtractions.

**Partnerships:** Partnerships should only make adjustments for items that are included in the partnership's ordinary business income (loss). Partnerships should **not** make adjustments for items that will flow to the partners as separately stated items. Separately stated items will be adjusted as required at the partner level.

#### Partners, S corporation shareholders, and beneficiaries

- Complete Schedule A, Part 2, to report your New York additions from a partnership, New York S corporation, or estate or trust.
- Complete Schedule B, Part 2, to report your New York subtractions from a partnership, New York S corporation, or estate or trust.

This information should be provided by the partnership, S corporation, and estate or trust. For more information, see *New York State addition and subtraction adjustments to recompute federal amounts* on page 2.

If you have more than seven entries in any part, submit a separate Form IT-558 listing the additional addition or subtraction adjustments in the appropriate parts.

### Schedule A – New York State addition adjustments to recompute federal amounts

Enter the New York State addition adjustments that apply to you:

- as an individual, partnership, estate or trust in Part 1, and
- as a partner, shareholder, or beneficiary in Part 2.

#### Part 1 – Individuals, partnerships, and estates or trusts

##### Line 1

Enter the applicable New York State addition adjustment number(s) on lines 1a through 1g. The addition adjustments can be found starting on page 2. In column A, enter the total of each New York State addition adjustment. Form IT-203 filers, partnerships, estates, and trusts who are doing business in and out of New York enter in column B the portion that relates to income, gain, loss, or deduction derived from or connected with New York State sources.

#### Part 2 – Partners, shareholders, and beneficiaries

##### Line 5

Enter the New York State addition adjustments provided by the entity of which you are a partner, shareholder, or beneficiary. Be sure to enter the total amount and New York State allocated amount (if applicable) in the appropriate column.

If you receive addition adjustments from more than one flow-through entity, combine the amounts using code EA-100 for amounts from partnerships or S corporations, or code EA-101 for amounts from estates or trusts.

##### Line 9

Enter the line 9 amount as follows:

**Form IT-201 filers:** Enter the line 9 amount on the *Line 19a worksheet*, line 2 in Form IT-201-I.

**Form IT-203 filers:** Enter the line 9 amount on the *Line 19a Federal amount column worksheet*, line 2 in Form IT-203-I.

Enter the sum of the entries from Form IT-558, lines 1 and 5, column B on *Line 19a New York State amount column worksheet*, line 2 in Form IT-203-I.

**Estates and trusts:** Enter the line 9 amount on Form IT-205, line 70a.

**Partnerships:** Enter the line 9 amount on Form IT-204, Section 12, line 1.

## Schedule B – New York State subtraction adjustments to recompute federal amounts

Enter the New York State subtraction adjustments that apply to you:

- as an individual, partnership, estate or trust in Part 1, and
- as a partner, shareholder, or beneficiary, in Part 2.

### Part 1 – Individuals, partnerships, and estates or trusts

#### Line 10

Enter the applicable New York State subtraction adjustment number(s) on lines 10a through 10g. The subtraction adjustments can be found starting on page 3. In column A, enter the total of each New York State subtraction adjustment. Form IT-203 filers, partnerships, estates, and trusts who are doing business in and out of New York enter in column B, the portion that relates to income, gain, loss, or deduction derived from or connected with New York State sources.

### Part 2 – Partners, shareholders, and beneficiaries

#### Line 14

Enter the New York State subtraction adjustments provided by the entity of which you are a partner, shareholder, or beneficiary. Be sure to enter the total amount and New York State allocated amount (if applicable) in the appropriate column.

If you receive subtraction adjustments from more than one flow-through entity, combine the amounts using code ES-100 for amounts from partnerships or S corporations, or code ES-101 for amounts from estates or trusts

#### Line 18

Enter the line 18 amount as follows:

**Form IT-201 filers:** Enter the line 18 amount on the *Line 19a worksheet*, line 4 in Form IT-201-I.

**Form IT-203 filers:** Enter the line 18 amount on the *Line 19a Federal amount column worksheet*, line 4 in Form IT-203-I.

Enter the sum of the entries from Form IT-558, lines 10 and 14, column B on *Line 19a New York State amount column worksheet*, line 4 in Form IT-203-I.

**Estates and trusts:** Enter the line 18 amount on Form IT-205, line 70b.

**Partnerships:** Enter the line 18 amount on Form IT-204, Section 12, line 2.

 Failure to enter the specific subtraction adjustment code(s) (including subtraction adjustments provided by the entity of which you are a partner, shareholder, or beneficiary) as identified by these instructions may result in the subtraction adjustment(s) being disallowed. Do **not** make an entry on the respective worksheets or forms without submitting a properly completed Form IT-558.

### New York State addition and subtraction adjustments to recompute federal amounts

In the adjustment descriptions below, *you* will refer to an individual, estate, trust or partnership, as applicable. See the chart starting on page 5 for information on which forms the adjustments apply to.

## Form IT-203 filers

### Nonresident individuals

Enter in column A, *Total amount*, the New York State additions or subtractions that must be added to or subtracted from your federal AGI. Enter in column B, *NYS allocated amount*, the portion that relates to income, loss, or deduction derived from or connected with New York State sources. New York additions and subtractions that relate to intangible items of income, such as interest or ordinary dividends, are only required to the extent the property that generates the income is employed in a business, trade, profession, or occupation carried on in New York State.

### Part-year residents

If you were a part-year resident, include the portion of any of the additions and subtractions that relate to your New York State resident period in the *NYS allocated amount* column. Also, for the period you were a nonresident, include in the *NYS allocated amount* column the portion of any of the additions and subtractions to the extent they are related to a business, trade, profession, or occupation carried on in New York State or are from real or tangible personal property located in New York State.

## S corporation shareholders

If you are 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 addition and subtraction adjustments that were provided to you by the S corporation. If the election to treat the corporation as a New York S corporation terminated during the tax year, you must make the additions and subtractions only to the extent they are attributable to the period for which the election to be a New York S corporation was in effect.

If you are 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, do **not** include any S corporation adjustments since they apply only to electing New York S corporations.

You must make the adjustments for the tax year of the S corporation that ends in your tax year.

### New York State addition adjustments

Write in the applicable number(s) and the amount of each addition adjustment on lines 1a through 1g. You must enter all three digits of the code.

**A-001** Intentionally omitted

**A-002** Intentionally omitted

**A-003** Deduction for charitable contributions

If you claimed a charitable contribution deduction on your federal return in accordance with IRC § 62(a)(22), **then** enter the amount of that deduction (not to exceed \$300).

**A-004** Exclusion for certain employer payments of student loans

If you excluded from federal gross income payments made by your employer, whether paid to you or to a lender, of principal or interest on any qualified education loan [as defined in IRC § 221(d)(1)] incurred by you for your education, **then** enter the amount that was excluded.

**Note:** Only include payments of principal or interest on qualifying education loans. Do **not** include other payments of educational

assistance [as defined in IRC § 127(c)] that were excluded from federal gross income, such as, tuition, fees, and similar payments, books, supplies, and equipment.

#### **A-005** Adjustment for net operating losses

If you claimed a net operating loss (NOL) deduction on your federal return, **then** enter the amount of such NOL deduction. See S-004 to enter the amount of your recomputed federal NOL deduction (if any).

**IT-203 filers:** Also enter in the *NYS allocated amount* column the amount of such NOL deduction that is derived from New York sources.

#### **A-006** Adjustment for excess business losses

If you deducted an excess business loss, as defined in IRC § 461(l)(3), on your federal return for the current tax year, **then** enter such excess business loss.

**Note:** Any excess business loss required to be added-back due to this adjustment shall be treated as a net operating loss carryforward to the following tax year (see S-004).

#### **A-007** Intentionally omitted

#### **A-008** Depreciation of qualified improvement property (QIP)

If you reported a depreciation deduction related to federal QIP [as defined in IRC § 168(e)(6)] on your federal return, **and** the amount reported is greater than it would have been if computed using the rules in place prior to any changes made to the IRC after March 1, 2020, **then** enter the difference. Also see S-003.

**⚠ Do not** report this depreciation on Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*.

#### **A-009** Modifications of limitations on business interest

If you claimed a business interest deduction on your federal return computed using IRC § 163(j), as modified by Public Law 116-136, § 2306, **then** enter the amount of excess business interest deduction claimed for federal purposes over the amount of business interest deduction allowable for New York State.

The amount of business interest deduction allowable for New York State is computed in accordance with IRC § 163(j) as it existed prior to any changes made to the IRC after March 1, 2020. For example, your current-year business interest deduction is limited to 30% of the current year's adjusted taxable income, and the election under IRC § 163(j)(10)(B) is not allowed.

The amount of any business interest not allowed as a deduction for any tax year by reason of this adjustment shall be treated as business interest paid or accrued in the succeeding tax year.

For purposes of this adjustment, the meaning of adjusted taxable income is as defined in IRC § 163(j)(8). Also see S-005.

#### **A-010** Intentionally omitted

#### **EA-100** Partner's and New York S corporation's distributive share of adjustments to ordinary business income of a partnership

If you are a partner in a partnership, and the partnership reported adjustments to ordinary business income on the partnership's Form IT-204-IP, *New York Partner's Schedule K-1*, as a result of New York State decoupling from changes to the

IRC after March 1, 2020, **and** the amount of your distributive share is a net addition, **then** enter such amount.

If you are a shareholder of a New York S corporation, **and** the S corporation reported adjustments to ordinary business income from one or more partnerships as a result of New York State decoupling from changes to the IRC after March 1, 2020, **and** the amount of your distributive share is a net addition, **then** enter your pro rata share of the amount reported on the S corporation's Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule*, line 3a. Also see ES-100.

#### **EA-101** Beneficiary's distributive share of adjustments to federal taxable income of an estate or trust

If you are a beneficiary of an estate or trust, and the estate or trust reported adjustments to federal taxable income as a result of New York State decoupling from changes to the IRC after March 1, 2020, **and** the amount of your distributive share is a net addition, **then** enter such amount.

If you are a shareholder of a New York S corporation, **then** enter your pro rata share of the amount reported on the S corporation's Form CT-34-SH, line 3a. Also see ES-101.

### **New York State subtraction adjustments**

Write in the applicable number(s) and the amount of each subtraction adjustment on lines 10a through 10g. You must enter all three digits of the code.

#### **S-001** Intentionally omitted

#### **S-002** Intentionally omitted

#### **S-003** Depreciation of qualified improvement property (QIP)

If you reported a depreciation deduction related to federal QIP [as defined in IRC § 168(e)(6)] on your federal return, **and** the amount reported is less than it would have been if computed using the rules in place prior to any changes made to the IRC after March 1, 2020, **then** enter the difference. Also see A-008.

If you have QIP that is fully depreciated for federal purposes (and no depreciation deductions were reported for such QIP on your federal return), **and** you would have had a depreciation deduction for such QIP if it was computed using the rules in place prior to any changes made to the IRC after March 1, 2020, **then** enter the amount computed using the rules in place prior to any changes made to the IRC after March 1, 2020.

**⚠ Do not** report this depreciation on Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*.

#### **S-004** Adjustment for net operating losses

If you claimed an NOL deduction on your federal return, **then** enter the amount of your recomputed federal NOL deduction (if any).

Your recomputed federal NOL deduction is the amount that your federal NOL deduction would have been if computed using the rules in place prior to any changes made to the IRC after March 1, 2020. For example:

- your federal NOL deduction for losses incurred in tax year 2018 or later is limited to 80% of your current year federal taxable income (computed **as if** the changes to the IRC after March 1, 2020, did not occur);
- there is no carryback of losses incurred in tax year 2018 or later (except for certain farming losses); and

- excess business losses disallowed per addition adjustment A-006 shall be treated as a net operating loss carryforward to the following tax year.

**IT-203 filers:** Also enter in the *NYS allocated amount* column the amount of your recomputed federal NOL deduction that is derived from New York sources.

**S-005** **Modifications of limitations on business interest**

**If**, in a prior tax year, you were required to add back excess business interest for New York State purposes (see A-009), **and** for the current tax year you are able to utilize an amount of excess business interest carried forward that results in a greater amount of interest deduction allowed for New York State than the interest deduction you reported for federal purposes, **then** enter the additional amount of business interest deduction allowed for New York State.

**S-006** **Intentionally omitted**

**ES-100** **Partner's and New York S corporation's distributive share of adjustments to ordinary business income of a partnership**

**If** you are a partner in a partnership, and the partnership reported adjustments to ordinary business income on the partnership's Form IT-204-IP as a result of New York State decoupling from changes to the IRC after March 1, 2020, **and** the amount of your distributive share is a net subtraction, **then** enter such amount.

**If** you are a shareholder of a New York S corporation, **and** the S corporation reported adjustments to ordinary business income from one or more partnerships as a result of New York State decoupling from changes to the IRC after March 1, 2020, **and** the amount of your distributive share is a net addition, **then** enter your pro rata share of the amount reported on the S corporation's Form CT-34-SH, line 5a. Also see EA-100.

**ES-101** **Beneficiary's distributive share of adjustments to federal taxable income of an estate or trust**

**If** you are a beneficiary of an estate or trust, and the estate or trust reported adjustments to federal taxable income as a result of New York State decoupling from changes to the IRC after March 1, 2020, **and** the amount of your distributive share is a net subtraction, **then** enter such amount.

**If** you are a shareholder of a New York S corporation, **then** enter your pro rata share of the amount reported on the S corporation's Form CT-34-SH, line 5a. Also see EA-101.

The charts below are a quick reference guide showing (with an **X** in the column) which return each adjustment applies to.

<b>Addition adjustments</b>					
<b>Adjustment number</b>	<b>Description</b>	<b>Returns</b>			
		<b>IT-201</b>	<b>IT-203</b>	<b>IT-204</b>	<b>IT-205</b>
A-001	Intentionally omitted				
A-002	Intentionally omitted				
A-003	Deduction for charitable contributions	X	X		
A-004	Exclusion for certain employer payments of student loans	X	X		
A-005	Adjustment for net operating losses	X	X		X
A-006	Adjustment for excess business losses	X	X		X
A-007	Intentionally omitted				
A-008	Depreciation of qualified improvement property (QIP)	X	X	X	X
A-009	Modifications of limitations on business interest	X	X	X	X
A-010	Intentionally omitted				
EA-100	Partner's and New York S corporation's distributive share of adjustments to ordinary business income of a partnership	X	X	X	X
EA-101	Beneficiary's distributive share of adjustments to federal taxable income of an estate or trust	X	X	X	X

<b>Subtraction adjustments</b>					
<b>Adjustment number</b>	<b>Description</b>	<b>Returns</b>			
		<b>IT-201</b>	<b>IT-203</b>	<b>IT-204</b>	<b>IT-205</b>
S-001	Intentionally omitted				
S-002	Intentionally omitted				
S-003	Depreciation of qualified improvement property (QIP)	X	X	X	X
S-004	Adjustment for net operating losses	X	X		X
S-005	Modifications of limitations on business interest	X	X	X	
S-006	Intentionally omitted				
ES-100	Partner's and New York S corporation's distributive share of adjustments to ordinary business income of a partnership	X	X	X	X
ES-101	Beneficiary's distributive share of adjustments to federal taxable income of an estate or trust	X	X	X	X