



Instructions for Form CT-34-SH

New York S Corporation Shareholders' Information Schedule

CT-34-SH-I

General Information

Filing requirements

You must file Form CT-34-SH with Form CT-3-S.

Attach a federal Schedule K-1, filed with federal Form 1120S, for each shareholder.

Required information for shareholders

You must provide a statement to each shareholder with the information they need to modify the federal adjusted gross income or itemized deductions on their individual New York State income tax return. (For detailed shareholder instruction, see *Schedule A: Shareholders' New York State modifications and credits*.)

The statement must include:

- the business apportionment factor from your franchise tax return (nonresidents need this information to determine the amount of New York source business income, losses, and deductions reported on federal Schedule K-1);
- the following information relating to the small business modification under Tax Law § 612(c)(39)(C):
 - If you meet the qualifications as a non-farm small business, you must provide each shareholder verification that you qualify, and the amount of qualifying income base attributable to your S corporation that is being passed through to that shareholder. You must calculate the \$1.5M New York gross receipts limitation applying only receipts earned directly by the S corporation. Do not include receipts passed through from a partnership.
 - If you are a corporate partner in a partnership and you received a statement from a partnership that qualifies as a small non-farm business, you must pass to each of your own shareholders the qualifying statement and their pro rata shares of the qualifying income base. If you are passing through qualifying information for more than one partnership, you must separately state the information for each partnership.

The statement must also include the shareholder's pro rata share of the following items:

- contributions to one or more of the following New York Charitable Gifts Trust Fund accounts:
 - Health Charitable Account, or
 - Elementary and Secondary Education Account; and
- information on the pass-through entity tax (PTET) credit for electing PTET S corporations
 - the shareholder's direct share of the New York State PTET,
 - the shareholder's direct share of the New York City pass-through entity tax (NYC PTET),
 - the shareholder's share of any PTET or NYC PTET deducted by the entity for the current year in excess of the PTET or NYC PTET liability,
 - the electing S corporation's status as an electing resident S corporation or electing standard S corporation, and
 - the shareholder's distributive share of income taxes paid to other states. (This statement **must** itemize the amounts paid to each state.)

Specific Instructions

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 in these instructions must be added to or subtracted from each shareholder's federal adjusted gross income or itemized deductions on their individual New York State income tax return to determine their New York State income and New York State itemized deductions, respectively.

If a New York S corporation files 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 itemized deductions, on the applicable lines of Form CT-34-SH per the following line instructions. 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 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 Form CT-225/225-A-I, *Instructions for Forms CT-225, CT-225-A, and CT-225-A/B*.

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 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. See Article 22 § 612(b)(3).

Line 1a: New York taxes imposed under Articles 24-A and 24-B and income taxes imposed by other taxing jurisdictions

Enter the following income taxes to the extent the tax was excluded from federal income:

- any amounts paid on behalf of members or shareholders to states that are not substantially similar to New York's PTET;

- any amounts paid on behalf of New York State nonresidents for pass-through entity taxes that are substantially similar to New York's PTET;
- any amounts paid on behalf of New York State residents for pass-through entity taxes that are substantially similar to New York's PTET on income not sourced to the other state under the laws of New York State;
- any amount of estimated PTET or NYC PTET deducted by the S corporation that exceeds the actual PTET or NYC PTET liability for the year; and
- any other income based taxes imposed by other taxing jurisdictions (including New York City general corporation tax if the tax is computed using the entire net income base or the alternative tax base).

See Article 22 § 612(b)(3).

Do **not** include the amount of the PTET or NYC PTET liability computed on the annual PTET return. This amount will be an addback modification by each shareholder that claims the PTET or NYC PTET credit.

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. See §§ 612(b)(8), (25), and (27).

Line 3: Other additions

File Form CT-225 with your return 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. See §§ 612(c)(16), (26), and (28).

Line 5: Other subtractions

File Form CT-225 with your return 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

Lines 6 and 7

Use these lines **only** for additions or subtractions to itemized deductions on the individual returns of shareholders and exclude any amounts properly reportable on lines 3 and 5.

Attach a statement with a list of the following additions or subtractions to the shareholders' itemized deductions that must be made as a result of New York S corporation items and identify each by letter and amount.

Line 6: Additions to itemized deductions

If these items were **not** deducted on the federal return or subtracted on line 5, they may be added on this line if applicable.

- 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

- 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
- 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

Line 7: Subtractions from itemized deductions

If these items are **not** added on line 3, they may be subtracted on this line if applicable.

- D. state, local, and foreign income taxes properly deductible as a federal itemized deduction rather than a deduction from federal adjusted gross income
- E. interest expense on money borrowed to buy or carry bonds or securities whose income is exempt from New York State income tax
- 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
- G. amortization of bond premium attributable to the tax year on any bond whose interest income is exempt from New York State income tax
- H. Article 23 metropolitan commuter transportation mobility tax properly deductible as a federal itemized deduction rather than a deduction from federal adjusted gross income

Part 2: Total S corporation New York State credits and taxes on early dispositions (lines 8 through 122)

On the appropriate line, enter 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*). File all applicable credit claim forms. Shareholders must include their pro rata shares of each of these tax credits and recapture amounts when they complete their personal income tax returns.

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

Exceptions:

- qualified empire zone enterprise 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. The S corporation **must** provide its shareholders with a separate statement indicating the name of the sponsoring campus, university, or college; if the S corporation is certified by more than one sponsor, you must list **all** sponsors on the statement.

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: If a partnership passes START-UP NY telecommunication services excise tax credit amounts through to an S corporation, the S corporation must include on this line:

- all amounts of credit received from each partnership; and
- 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 NY 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 provided by the partnership on lines 14, 15, and 16.

The partnership should have provided the S corporation with a statement indicating the name of the sponsoring campus, university, or college (or, if certified by more than one sponsor, the names of **all** sponsors).

An S corporation **must** provide its shareholders with the sponsor names it receives from the partnership. 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

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)*.

An S corporation that qualified as an eligible farmer for purposes of the investment tax credit and is using the 20% rate for qualified property must enter this credit amount on line 21.

Lines 23 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. For more information, see Forms CT-603 and CT-603-I, *Instructions for Form CT-603*.

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 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
- 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
 - entitled to deduct those taxes as a tax expense for federal income tax purposes.
- 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.

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*.

A **land sales 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.

A land sales contract may also be referred to as one of the following:

- installment land contract
- contract for deed
- bond for deed
- conditional sale of real estate
- contract for sale of land
- land contract

Note: A lease with an option to purchase type arrangement is **not** a land sales contract.

A **structure or building qualifies** if it is used:

- in the raising and production for sale of agricultural commodities,
- for the storage of agricultural commodities for sale at a future time, or
- 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:

- the processing of agricultural commodities,
- the retail merchandising of agricultural commodities,
- the storage of commodities for the personal use of the corporation or its shareholders, or
- the personal residence of any of the officers of the corporation.

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.

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.

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.

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.

Eligible school district property taxes **include**:

- real property taxes levied by a school district:
 - all property taxes
 - special ad valorem levies
 - special assessments
 - taxes levied for the support of local libraries.
- school district taxes paid on qualified property the S corporation owns but rents to someone else.

Eligible school district property taxes **do not** include:

- real property taxes levied by towns, villages, cities, or their municipal governments;
- 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; and
- penalties and interest.

Property converted to nonqualified use: Do **not** include school taxes paid on property converted to nonqualified use during the 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.

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 based on 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.

Apportionment for qualified and nonqualified agricultural property included in the same school tax bill: 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.

Line 37

Enter any acres of property that were converted to nonqualified use during the tax year. For more information, see *Property converted to nonqualified use*.

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 is 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 is **not** considered 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 is **not** considered a conversion to nonqualified use.

Lines 39 through 122: Other credits

Line 41: The S corporation **must** provide a separate statement to its shareholders indicating all project numbers. The project number is the National Park Services number that identifies the rehabilitation project. You must provide project numbers for all tax credit amounts passed through to the S corporation from a partnership and for tax credit amounts generated by the S corporation.

Line 105: If the S corporation claimed a credit on Form CT-649, *Farm Donations to Food Pantries Credit*, the S corporation **must** provide to each shareholder a statement indicating the shareholder's pro rata share of the amount of qualified donations to a food pantry included in the S corporation's charitable contributions amount.

Line 122: If you are claiming a tax credit or recapture for which no line is provided on Form CT-34-SH, enter the amount of the tax credits, recaptures, and form numbers.

Provide shareholders of the New York S corporation with their pro rata share of the credits or recaptures 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, making copies of Schedule B, as needed. Provide the following information:

- 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*.
