



# Instructions for Form IT-217

## Claim for Farmers' School Tax Credit

**IT-217-I**

### General information

The farmers' school tax credit is available to eligible farmers who paid eligible school district property taxes on qualified agricultural property.

### Eligibility

You are eligible for this credit if you or your business:

- is an eligible farmer, and
- paid eligible school district property taxes on qualified agricultural property.

### Credit Calculation

The credit is based on the eligible school district property taxes paid on qualified agricultural property.

If you do not use the full amount of credit against your tax liability this year, you may request a refund or apply the overpayment to next year's tax. The Tax Department will not pay interest on the refund or overpayment.

### Election to deem income

**Shareholders of a New York C corporation:** If you are a shareholder that has a valid election to deem the income of the corporation to the shareholders, the corporation must provide you with your shares of the following:

- entire net income (ENI)
- principal payments on farm indebtedness
- federal gross income
- gross income from farming

The election to deem requires you to account for your share of the income and principal payments on farm indebtedness of the corporation, for the purposes of claiming this credit. For information concerning the election, see Form CT-47.1 *Election or Termination of Election to Deem Income for Purposes of the Farmers' School Tax Credit*.

### Definitions

An *eligible farmer* is a taxpayer whose federal gross income from farming for the tax year is at least two-thirds of excess federal gross income, including a taxpayer other than the taxpayer of record for qualified agricultural land that paid the school district property taxes per a land sales contract for the future purchase of such land.

*Excess federal gross income* is the amount of federal gross income from all sources for the tax year reduced by the sum (not to exceed \$30,000) of earned income, pension payments (including Social Security payments), interest, and dividends included in federal gross income.

*Earned income* means wages, salaries, tips, and other employee compensation, and those items of gross income that are included in the calculation of net earnings from self-employment.

*Eligible school district property taxes* are real property taxes **levied by a school district** on qualified agricultural property **owned** by an entity described in Part 1, Item A. These taxes include:

- special ad valorem levies,
- special assessments,
- taxes levied by a school district for the support of local libraries, and
- taxes paid on qualified agricultural property that you own but rent to someone else.

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

- real property taxes levied by towns, villages, cities, or other municipal governments;
- taxes paid on qualified agricultural property that you rent from someone else, even if the rental agreement provides that you must actually pay the taxes; and
- penalties and interest.

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 for 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.

*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 is considered owned by you if you are:
  - obligated under the land sales contract to pay the 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 taxpayer for residential purposes) that are located on the land and used or occupied to carry out agricultural production; and
- land set aside or retired under a federal supply management or soil conservation program and land that at the time it becomes subject to a conservation easement met the other requirements for qualified agricultural property.

*Agricultural production* means those activities discussed under *engaged in the business of farming* as defined on the *Eligible Farmers Income Test*. For the definition, visit our website at [www.tax.ny.gov](http://www.tax.ny.gov) (search: *farmtest*).

*Land used in agricultural production* includes land under structures or buildings that are qualified agricultural property and land in support of a farm operation, such as farm ponds, drainage swamps, wetlands, and access roads.

A *structure or building* is **qualified** agricultural property 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 or horticultural production.

A *structure or building* is **not qualified** agricultural property if it is used for:

- the processing of agricultural commodities,
- the retail merchandising of agricultural commodities,
- the storage of commodities for the personal consumption of you or your family, or
- your residence or the residence of your immediate family.

**Note:** If you are producing maple syrup or cider, or selling wine from a farm winery, buildings and structures used to process the sap into syrup, the apples into cider, or 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, manufactured home or housing, and any other buildings associated with it, such as garages or sheds, that are used by you or your immediate family for residential purposes.

A *related person* includes your spouse (unless you are filing a joint return) and any C corporation (a corporation that is not a New York S corporation) of which you (and your spouse, if filing a joint return) collectively own more than 50% of the stock. A *related person* also includes any estate or trust in which you (and your spouse, if filing a joint return) collectively own more than 50% of the beneficial interest.

The following are examples of related persons:

- *You owned qualified agricultural property individually on March 1. You also are a 75% shareholder in a C corporation that owned qualified agricultural property on March 1. You and the corporation are related persons.*
- *If an estate or trust (or the grantor of the trust) owns more than 50% of a C corporation, or the corporation owns more than 50% of the estate or trust, the estate or trust and the corporation are related persons.*
- *If an estate or trust (or grantor of the trust) owns more than 50% of another estate or trust, the first estate or trust and the second estate or trust are related persons.*
- *If the same person owns more than 50% of a C corporation and more than 50% of an estate or trust, the corporation and the estate or trust are related persons.*
- *If the same person owns more than 50% of more than one estate or trust, the estates and trusts are related persons.*

*Conversion to nonqualified use* means an outward or affirmative act changing the use of agricultural land. The idling, nonuse, or sale of the land is not by itself a conversion. For example:

- *You sell 100 acres of land to a developer. The developer builds a housing development on the land, and as a result, the land is no longer used in agricultural production. This is a conversion to nonqualified use.*
- *You stop farming but continue to hold the farm property for investment purposes. This is **not** a conversion to nonqualified use.*
- *You sell qualified agricultural property to another person who continues to use the property in agricultural production. This is **not** a conversion to nonqualified use.*

## How to claim the credit

**Married couples** in a business enterprise that made an IRC 761(f) election to file two federal Schedule C forms instead of a partnership return: If you file jointly, calculate your credit amount as if you were filing one federal Schedule C for the business.

**Estates or trusts** that divide the credit among itself and its beneficiaries must submit Form IT-217 with Form IT-205, *Fiduciary Income Tax Return*, showing each beneficiary's share of the credit.

**Partnerships or New York S corporations** do not file Form IT-217. Partnerships or S corporations must inform their partners or shareholders of their share of acres of qualified agricultural property, eligible taxes, acres of qualified agricultural property converted to nonqualified use, and acres of qualified conservation property.

**Shareholders of an S corporation**, obtain your share of this credit from the S corporation and follow the instructions on this form for claiming your credit on your personal income tax return.

**New York C corporations** that have a special gross income from farming election on Form CT-47.1, *Election or Termination of Election to Deem Income for Purposes of the Farmers' School Tax Credit*, do not file Form IT-217, but it must inform their shareholders of their shares of the corporation's:

- 1) gross income,
- 2) gross income from farming,
- 3) entire net income, **and**
- 4) principal payments on farm indebtedness.

## Line instructions

**Individuals** (including a shareholder of a New York C corporation that has a special gross income from farming election): Complete Parts 1, 2, and, if applicable, Part 6.

**Partners** in a partnership, **shareholders** of a New York S corporation, and **beneficiaries** of an **estate** or **trust**: Complete Parts 1 through 4, and, if applicable, Part 6.

**Fiduciaries**: Complete Parts 1, 2, 5, and, if applicable, Part 6.

**Note:** If you are the fiduciary of an estate or trust that distributes all its income to its beneficiaries, complete only Part 1, items A, B, and F; Part 5; and, if applicable, Part 6.

**Caution:** If you are married, and eligible for the credit under Part 1, items C and D, the amount of the credit calculated on Part 2, line 15, may depend on whether you file a joint or separate New York return. To file separate New York returns, you generally must file separate federal returns. Since many federal and state tax benefits are eliminated or reduced when separate returns are filed, you may want to calculate your federal and state taxes both ways to determine the most beneficial way to file.

**Additional forms:** If you have more entries than will fit on the lines provided in Parts 3 or 5 on Form IT-217, submit additional forms, completing only the necessary schedules. Include your name and taxpayer identification number on each form. On the indicated lines of the first Form IT-217, include the totals from all additional Forms IT-217. Place the extra forms behind the first Form IT-217 and submit them with your return.

## Part 1: Eligibility

### Item A: Qualified agricultural property owned

Mark an **X** in the Yes box if during the tax year (even if you didn't pay the eligible school district property taxes for number 3 or 4):

- 1) you owned qualified agricultural property, **or**
- 2) you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that owned qualified agricultural property, **or**
- 3) your parent, grandparent, or sibling owned qualified agricultural property, and:
  - you have a written agreement\* with them that you will eventually purchase this property, and
  - they have given you a document\*\* stating that they waive their right to claim this credit, if any, on the property that is subject to the written agreement, **or**
- 4) you are an immediate family member of the settlor of a trust that owned qualified agricultural property, and
  - under the terms of the trust the title to the property passes to you upon the death of the settlor, and
  - the trust has given you a document\*\* indicating that the trust is waiving its right to claim the credit, if any, on this property subject to the terms of the trust.

\*The written agreement does not have to be in any particular legal form, but it must be signed by all parties to the agreement and it must be in effect for at least part of this tax year.

\*\* The waiver document does not have to be in any particular form, but it may only apply to one tax year and must include:

- the name of the owners or trust,
- the name of the relative who the owners have entered into a written agreement to sell their qualified agricultural property or the immediate family member of the settlor that the title to the property will pass to upon death of the settlor,
- a statement that the owners are waiving their right to claim the farmers' school tax credit,
- the tax year that the waiver applies,
- the date the parties entered into the agreement; and
- the signature of the owners or fiduciary of the trust.

The waiver document must be given to you even if the owners or trust do not qualify to claim the farmers' school tax credit on the property. Once the waiver is made for a tax year, it cannot be revoked for that tax year, but the owners or trust may decide whether to issue a waiver for any subsequent tax year.

#### Item B: Eligible school district property taxes paid

Mark an **X** in the Yes box if you paid, or are eligible to claim, school district property taxes on the qualified agricultural property described in Item A during the tax year.

**Note:** For purposes of claiming the farmers' school tax credit, you must reduce the amount of eligible school district property taxes by any school tax relief (STAR) credit claimed under Tax Law section 606(eee).

If you were a **partner** in a partnership, a **shareholder** of a New York S corporation, or the **beneficiary** of an estate or trust that owned qualified agricultural property, eligible taxes include your share of the taxes paid by the partnership, S corporation, or estate or trust for the year.

If you own both qualified agricultural property and nonqualified property, and you receive only one school tax bill for all the property, you must allocate the total school taxes paid between them based upon their value. Your local assessor may be able to provide you the value of your qualified and nonqualified property. If your assessor cannot provide this information, you may use any other reasonable method, such as basing the value on the recent sale price of similar property in your area. In either case, you must keep records to verify how you allocated the taxes.

#### Item C: Modified New York adjusted gross income

Complete *Item C worksheet*. To qualify for this credit, the amount shown on line 6, must be less than \$300,000.

##### Item C worksheet

- 1 Enter your New York adjusted gross income from Form IT-201, line 33, Form IT-203, line 32, or Form IT-205, line B ..... **1** \_\_\_\_\_
- 2 If your New York C corporation has a special gross income from farming election, enter your share of your New York C corporation's entire net income (*obtain this information from your corporation*) ..... **2** \_\_\_\_\_
- 3 If your partnership or New York S corporation is a shareholder of a New York C corporation that has a special gross income from farming election, enter your share of the partnership's or S corporation's share of the New York C corporation's entire net income (*obtain this information from your partnership or S corporation*) ..... **3** \_\_\_\_\_
- 4 Add lines 1 through 3 ..... **4** \_\_\_\_\_
- 5 Enter the amount of **principal** paid on farm indebtedness during the tax year (*see instructions below*) ..... **5** \_\_\_\_\_
- 6 Subtract line 5 from line 4. If less than \$300,000, mark an **X** in the Yes box in item C ..... **6** \_\_\_\_\_

*Farm indebtedness* means debt incurred or refinanced that is secured by farm property, where the proceeds of the debt are used for expenditures incurred in the business of farming. Debt, or that portion of the debt, that is secured by your principal residence does not qualify, even if the proceeds of the loan are used for farm expenditures.

Include on line 5 your share of the amount of principal paid on farm indebtedness from your partnership, New York S corporation, New York C corporation that has a special gross income from farming election, or estate or trust. Obtain this information from your partnership, New York S corporation, C corporation, or estate or trust.

If your filing status is *Married filing separate return* and the debt is a joint obligation of you and your spouse, the amount of principal paid on farm indebtedness may be divided in any manner you wish.

#### Item D: Eligible farmers income test

Complete the applicable worksheet found on our website at [www.tax.ny.gov](http://www.tax.ny.gov) (search: *farmtest*). **Do not** submit the worksheets. Keep a copy of your completed worksheets **for your records**.

If the percentage shown on the last line of your worksheet is at least 0.6667 (66.67%), mark an **X** in the Yes box and continue with Item E.

If this percentage is less than 0.6667 (66.67%), you may meet this eligibility requirement if your average federal gross income from farming for the tax year and the two consecutive prior tax years is at least 0.6667 (66.67%) of this tax year's excess federal gross income. See the *Three-year averaging method worksheet* at the website above.

If the percentage shown on the last line of the *Three-year averaging method worksheet* is:

- at least 0.6667 (66.67%), mark an **X** in the Yes box and continue with Item E, or
- less than 0.6667 (66.67%), **stop**; you do not qualify for this credit.

Item E: Related persons

If you and one or more related persons each owned qualified agricultural property on March 1, mark an **X** in the box. See the Part 2, line 5 instructions for more information.

Item F: Conversion to nonqualified use

You cannot claim the farmers' school tax credit for qualified agricultural property which is converted to nonqualified use during the tax year. If only part of your qualified agricultural property is converted to nonqualified use during this year, you can claim a credit for the part of the property that is not converted.

If you continue to own the property after the conversion to nonqualified use, and the converted property is included as part of your total tax bill, you may allocate the total taxes to the converted property basis 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 you by the buyer. When determining the credit, you must reduce your current year's eligible taxes by the amount of these reimbursed taxes.

You may be subject to the recapture provision, see Part 6 instructions.

Part 2: Calculation of credit

**Fiduciaries:** Do not enter any amounts on lines 1 and 2.

**Line 1:** Enter the total acreage of qualified agricultural property owned this tax year that eligible school district taxes were paid. Include the number of acres under buildings or structures that are qualified agricultural property.

If you marked the box at item F, do **not** include the acres of property converted to nonqualified use.

For filing status *Married filing separate return*: enter only the total acres of qualified property owned by you during the tax year. If you and your spouse owned the qualified agricultural property jointly (such as joint tenants or tenants in common), each spouse can claim only one-half of the acreage amount unless you both agree to split the acreage in a different manner. If you both agree, you may split the acreage in any manner you wish.

**Line 5:** Complete the *Line 5 worksheet*, then continue with the instructions following.

Line 5 worksheet

1	Initial base acreage .....	1	350
2	Enter the acres of qualified conservation property you owned during the tax year* .....	2	
3	Total base acreage (add lines 1 and 2) .....	3	

\* *Qualified conservation property* is acreage (including your share from a partnership, S Corporation or estate or trust) enrolled in or participating in a federal environmental conservation acreage reserve program under Title III of the Federal Agricultural Improvement and Reform Act of 1996.

**Note:** If your filing status is *Married filing separate return*, enter only the total acres of qualified conservation property you owned. If you and your spouse owned the qualified conservation property jointly (such as joint tenants or tenants in common), each spouse can claim only one-half of the acreage amount unless you both agree to split the acreage in a different manner. If you both agree, you may split the acreage in any manner you wish.

If you did **not** mark an **X** in box E in Part 1, enter the amount from *Line 5 worksheet*, line 3, on line 5.

If you did mark box E you must allocate the amount from line 3 between yourself and the other related persons.

The total base acres must be divided equally between the related persons unless everyone agrees to a different division. If everyone agrees, the total base acres can be divided in any manner. If the division is unequal, you must submit a statement with Form IT-217 that includes the following information:

- the name, address, and taxpayer identification number of the related persons; and
- the amount of base acreage allocated to you and the related persons.

The statement must be signed by you and by the related persons, or by any person who is duly authorized to act on behalf of the related persons.

**Fiduciaries:** Do not enter any amounts on line 10 and 11.

**Line 10:** Enter the eligible school district property taxes paid by you (and your spouse if filing a joint return) during the tax year. Also, enter the eligible school taxes paid during the tax year on property covered by a written agreement and waiver document as described in *Item A*, 3) or 4), (even if you did not actually pay the taxes on the property).

Reduce the amount of eligible school tax property taxes paid by any school tax relief (STAR) credit claimed under Tax Law section 606(eee).

If your filing status is *Married filing separate return*, enter only the eligible taxes paid on qualified agricultural property owned by you. If you and your spouse owned the qualified agricultural property jointly, you must divide the eligible taxes in the same manner as you divided the acres of qualified property (see the instructions for line 1).

If you marked the box at item F, do not include the school taxes paid during the year on property that was converted to nonqualified use. If you continue to own the property after the conversion to nonqualified use, and the converted property is included as part of your total tax bill, you may allocate the total 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 you by the buyer. You must reduce your current year's eligible school taxes by the amount of these reimbursed taxes in determining the credit.

**Line 15:** If this amount is more than \$200,000, your credit is limited; continue to line 16. Otherwise, enter the line 14 amount on line 19 and skip lines 16 through 18.

**Line 19: Individuals:** Enter the amount from line 19 on:

- Form IT-201-ATT, line 11, or
- Form IT-203-ATT, line 12, including code **217**.

**Fiduciaries:** Include the amount from line 19 and code **217** on Form IT-205, line 33.

Part 3: Partnership, S corporation, and estate or trust information

Enter the requested information for each partnership, New York S corporation, or estate or trust that owned qualified agricultural property. Obtain this information from your partnership, S corporation, estate or trust. If needed, see *Additional forms*.

Part 4: Partner's, shareholder's, or beneficiary's share of qualified agricultural property and eligible taxes

Enter your share of the acres of qualified agricultural property and eligible taxes from a partnership, New York S corporation, or estate or trust on the appropriate lines. Obtain this information from your partnership, corporation, or estate or trust.



If you belong to more than one partnership, New York S corporation, or estate or trust, enter the total of all your shares on the appropriate line.

**Estates and trusts:** Include on lines 5 and 6 only your share of acres of qualified agricultural property and eligible taxes from another estate or trust.

## Part 5: Beneficiary's and fiduciary's share of acres of qualified agricultural property and eligible taxes

An estate or trust must complete Part 5.

The total acres of qualified agricultural property, total eligible taxes, and total acres of qualified agricultural property converted to nonqualified use are allocated between the estate or trust and its beneficiaries on the same basis as the income of the estate or trust is allocated. Provide these amounts to your beneficiaries. If needed, see *Additional forms*.

**Columns C and D:** Include in the **Totals** line both:

- the acres of qualified property owned by the estate or trust and the eligible taxes paid by the estate or trust, **and**
- the estate's or trust's share of each item from Part 4, line 7. If you marked the box at item F, do not include the acres of property converted or the taxes paid on that property.

Enter the amount from the *Fiduciary* line, column C, on Part 2, line 3. Enter the amount from the *Fiduciary* line, column D, on line 12.

**Column E:** Include in the **Totals** line the acres of qualified agricultural property that were converted to nonqualified use during the tax year. See *Part 6*. The converted acreage includes both:

- the acres of qualified agricultural property converted by the estate or trust, **and**
- the estate's or trust's share of acres of qualified agricultural property converted by a partnership, New York S corporation, or another estate or trust. Obtain the estate's or trust's share of these amounts from the partnership, S corporation, or estate or trust.

Enter the amount from the *Fiduciary* line, column E, in Part 6, column A.

## Part 6: Credit recapture on qualified agricultural property converted to nonqualified use

If **all** of your qualified agricultural property is converted to nonqualified use before the end of the second tax year following the year that you first claimed this credit, you must add back the **entire** credit you claimed on the converted property for the two previous years when you file your tax return for the year of the conversion.

If **some** of your qualified agricultural property is converted to nonqualified use before the end of the second tax year following the year that you first claimed this credit, you must add back a proportionate share of the credit claimed.

**Example 1:** A farmer first claims the credit for tax year 1. On August 1, of the following tax year (tax year 2), all of the farmer's qualified agricultural property is converted to nonqualified use. In this instance, no credit will be allowed for tax year 2, and the entire amount of the credit claimed for tax year 1 must be added back in tax year 2.

**Example 2:** A farmer claims the credit for tax years 1, 2, and 3. On June 1, of tax year 4, the entire property is converted to nonqualified use. In this instance, no credit is allowed for tax year 4. However, since the conversion takes place after the end of the second year (tax year 3) following the year in which the credit was first claimed (tax year 1), the farmer is not required to add back the credit claimed in tax year 1, tax year 2, or tax year 3.

**Example 3:** A farmer first claims the credit for tax year 1. The credit is based on 500 acres of qualified agricultural property owned by the farmer. On September 1, of the following tax year

(tax year 2), 100 acres of that property is converted to nonqualified use. In this instance, a credit will be allowed for tax year 2 based on the 400 acres of qualified agricultural property not converted to nonqualified use, and one-fifth (100/500) of the credit claimed in tax year 1 must be added back in tax year 2.

### Column A:

**Individuals:** Enter the total acres of qualified agricultural property converted to nonqualified use during the tax year. Also, include your share of acres of qualified agricultural property converted to nonqualified use from your partnership, New York S corporation, or estate or trust. Obtain this information from the partnership, New York S corporation, or estate or trust.

**Fiduciaries:** Enter the fiduciary's share of acres of qualified agricultural property converted to nonqualified use from Part 5, column E.

**Column B:** Enter the total acres of qualified agricultural property which you owned immediately prior to the conversion, including your share of property owned by your partnership, New York S corporation, or estate or trust.

**Column D:** Enter the total farmers' school tax credit claimed for the two previous tax years.

### Column E

- **Individuals:** Enter the line E amount and code **217** on:

- Form IT-201-ATT, line 20, or
- Form IT-203-ATT, line 19.

- **Fiduciaries:** Include the line E amount on Form IT-205, line 12.