



Instructions for Form IT-257

Claim of Right Credit

New York State • New York City • Yonkers • MCTMT

IT-257-I

General information

Claim of right income is income that you properly reported on a prior year's tax return, but which was later determined to have been paid to you in error and had to be repaid. If the claim of right credit is more than the amount of tax imposed for the tax year, the excess will be refunded to you.

If you have federal claim of right income but elect to take the federal deduction instead of the credit, you cannot claim a credit for New York State, New York City, Yonkers, or MCTMT. **Do not complete this form.**

However, depending upon the type of income repaid, you may be able to take an itemized deduction on your New York State return or subtract the amount repaid, **but not both.**

If you itemize your deductions on your New York State return, refer to Form IT-196-I, *Instructions for Form IT-196*.

If you do not itemize your deductions on your New York State return, you may be able to subtract the amount of income you repaid when calculating your New York State adjusted gross income. For more information, refer to Form IT-225-I, *Instructions for Form IT-225*.

Claiming the credit

File Form IT-257 if you are an individual or estate or trust that qualifies for the claim of right credit. Complete all sections of this form that apply to you. You must submit Form IT-257 with your return.

Amount of credit

The amount of credit for New York State residents and nonresidents and New York City or Yonkers residents is the difference between the amount of New York State, New York City, or Yonkers tax you originally reported on your prior-year return and what you would have reported for that year if you had **not** included that income on your state or city return.

If you were subject to New York City or Yonkers nonresident earnings tax in the prior year, **and** the claim of right income affects the calculation of wages or net earnings from self-employment, you may also be entitled to a claim of right credit for New York City or Yonkers nonresident earnings tax purposes.

The credit is the difference between the amount of New York City or Yonkers nonresident earnings tax you originally reported in the prior year and what would have been reported in the prior year if the income had **not** been included on the nonresident earnings tax return.

The amount of MCTMT credit is the difference between the amount of MCTMT you originally reported on your return for the prior year and what you would have reported for the prior year if you had **not** included the income on your return.

Example: In the current tax year, you repaid under a claim of right \$5,000 of income that was included on a prior year New York State return. The New York State tax you originally reported on that prior year's return was \$809. Your prior-year New York State tax, calculated without including the \$5,000 on that return, is \$467. Your current-year New York State claim of right credit is \$342 (\$809 - \$467).

Line instructions

Note: To calculate your credit, you will need a copy of your original return for the prior year. It may also be helpful to have the instructions and blank tax forms for the prior year. For prior-year forms and instructions, see *Previous year tax forms (by tax type)* or visit www.tax.ny.gov (search: *forms*).

Line 3: Explain the type of income involved in the claim of right credit and the reason for the repayment.

Line 4: Enter the New York State tax from the return for the year you included the income in your federal adjusted gross income. Enter the amount as you originally filed, as adjusted by New York State, or as you later amended it.

Line 5: Enter the tax that you would have reported if you had not included the income in question in your federal adjusted gross income.

Line 7: Enter the New York City resident tax from the return for the year you included the income in your federal adjusted gross income. Enter the amount as you originally filed, as adjusted by New York State, or as you later amended it.

Line 8: Enter the New York City resident tax that you would have reported if you had not included the income in question in your federal adjusted gross income.

Line 10: Enter the amount of New York City nonresident earnings tax for the year you reported the income on Form NYC-203, *City of New York Nonresident Earnings Tax Return*, or Form NYC-206, *City of New York Nonresident Fiduciary Earnings Tax Return*. Enter the amount as you originally filed, as adjusted by New York State, or as you later amended it.

Line 11: Enter the New York City nonresident earnings tax that you would have reported if you had not included the income in question on Form NYC-203 or Form NYC-206.

Line 13: Enter the Yonkers resident income tax surcharge from the return for the year you included the income in your federal adjusted gross income. Enter the amount as you originally filed, as adjusted by New York State, or as you later amended it.

Line 14: Enter the Yonkers resident income tax surcharge that you would have reported if you had not included the income in question in your federal adjusted gross income.

Line 16: Enter the amount of Yonkers nonresident earnings tax for the year you reported the income on Form Y-203, *Yonkers Nonresident Earnings Tax Return*, or Form Y-206, *Yonkers Nonresident Fiduciary Earnings Tax Return*. Enter the amount as you originally filed, as adjusted by New York State, or as you later amended it.

Line 17: Enter the Yonkers nonresident earnings tax that you would have reported if you had not included the income in question on Form Y-203 or Form Y-206.

Line 19: Enter the MCTMT from the return for the year you included the income in your net earnings from self-employment allocated to the Metropolitan Commuter Transportation District (MCTD). Enter the amount as you originally filed, as adjusted by New York State, or as you later amended it.

Line 20: Enter the tax that you would have reported if you had not included the income in question in your net earnings from self-employment allocated to the MCTD.