



# Instructions for Form CT-32

## Banking Corporation Franchise Tax Return

### Tax Law – Article 32

**CT-32-1**

## Form CT-1, Supplement to Corporation Tax Instructions

See Form CT-1 for the following topics:

- Changes for the current tax year (general and by Tax Law Article)
- Business information (how to enter and update)
- Entry formats
  - Dates
  - Negative amounts
  - Percentages
  - Whole dollar amounts
- Are you claiming an overpayment?
- NAICS business code number and NYS principal business activity
- Third-party designee
- Paid preparer identification numbers
- Is your return in processible form?
- Use of reproduced and computerized forms
- Electronic filing and electronic payment mandate
- Web File
- Form CT-200-V
- Collection of debts from your refund or overpayment
- Fee for payments returned by banks
- Reporting requirements for tax shelters
- Tax shelter penalties
- Voluntary Disclosure and Compliance Program
- Your rights under the Tax Law
- Need help?
- Privacy notification

## General information

### Definition of doing business within New York State

The phrase *doing business* includes all activities that occupy the time and labor of people for profit. In determining whether or not a corporation is doing business in New York State, consideration is given to such factors as: the nature, continuity, frequency, and regularity of the activities of a corporation in New York State; the location of the corporation's offices and other places of business; the employment in New York State of agents, officers, and employees of the corporation; and other relevant factors. Activities that constitute doing business in New York State include: operating a branch, loan production office, representative office, or a bona fide office in New York State. A banking corporation that meets any of the tests under *Credit card banks* is also doing business in New York State. Activities that do not constitute doing business in New York State include the mere acquisition of one or more security interests in real or personal property located in New York State, or the mere acquisition of title to property located in New York State through the foreclosure of a security interest. In addition, a corporation organized under the laws of another country is not deemed to be doing business, employing capital, owning property, or maintaining an office in New York State, if its activities are limited solely to investing or trading in stocks and securities for its own account under Internal Revenue Code (IRC) section 864(b)(2)(A)(ii), or investing or trading in commodities for its own account under IRC section 864 (b)(2)(B)(ii), or any combination of these activities.

### Definition of banking business

The phrase *banking business* means the business a corporation may be created to do under Article 3 (Banks and Trust Companies), Article 3-B (Subsidiary Trust Companies), Article 5 (Foreign Banking Corporations and National Banks), Article 5-A (New York Business Development Corporation), Article 5-C (Interstate Branching), Article 6 (Savings Banks), or Article 10 (Savings and Loan Associations) of the New York State Banking Law, or the business a corporation is authorized to do

by such articles. With respect to a national banking association, federal savings bank, federal savings and loan association or production credit association, the phrase *banking business* means the business a national banking association, federal savings bank, federal savings and loan association, or production credit association may be created to do or is authorized to do under the laws of the United States or the laws of New York State. The phrase *banking business* also means such business as any corporation organized under the authority of the United States has authority to do that is substantially similar to the business that a corporation may be created to do under Article 3, 3-B, 5, 5-A, 5-C, 6, or 10, of the New York State Banking Law, or any business that a corporation is authorized to do by such articles.

### Definition of a bank holding company

The following are bank holding companies:

- A corporation or association subject to Article 3-A of the New York State Banking Law.
- A corporation or association registered under the Federal Bank Holding Company Act of 1956, as amended.
- A corporation or association registered as a savings and loan holding company (excluding a diversified savings and loan holding company) under the Federal National Housing Act, as amended.

### Who must file

Tax Law Article 32 imposes a franchise tax on banking corporations for the privilege of exercising their corporation franchise or doing business in New York State in a corporate or organized capacity for all or any part of their tax year. It also imposes the tax on bank holding companies, captive real estate investment trusts (REITs), captive regulated investment companies (RICs), and overcapitalized captive insurance companies when included in a combined return. Except for corporations described in Article 32 section 1453(l), corporations liable for tax under Article 33 are not subject to tax under Article 32.

All banking corporations other than New York S corporations must file franchise tax returns on Form CT-32. A banking corporation that has elected to be treated as a New York S corporation (by filing Form CT-6, *Election by a Federal S Corporation to be Treated As a New York S Corporation*) must file Form CT-32-S, *New York Bank S Corporation Franchise Tax Return*, instead of Form CT-32.

If a combined return is permitted or required, corporations included in the combined return must together file Form CT-32-A, *Banking Corporation Combined Franchise Tax Return*.

### Banking corporations

Banking corporations include the following:

- A. New York State banking corporations** — Any corporation organized under the laws of New York State that is authorized to do or is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, limited purpose trust companies, subsidiary trust companies, savings banks, savings and loan associations, agreement corporations, and the New York Business Development Corporation. Also included as a banking corporation is the New York State Mortgage Facilities Corporation.
- B. Banking corporations organized under the laws of another state or country** — Any corporation organized under the laws of another state or country that is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, savings banks, savings and loan associations, and agreement corporations.
- C. Banking corporations organized under the laws of the United States** — Any national banking association, federal savings bank, federal savings and loan association, and any other corporation organized under the authority of the United States (including an Edge Act corporation) that is doing a banking business is a banking corporation. Also, every production credit association organized under the Federal Farm Credit Act of 1933 that is doing a banking

business and all of whose stock held by the Federal Production Credit Corporation has been retired is a banking corporation.

**D. Corporations owned by a bank or a bank holding company —** Any corporation principally engaged in a business that:

- might lawfully be conducted by a corporation subject to Article 3 of the New York State Banking Law or by a national banking association; or
- is so closely related to banking or managing or controlling banks as to be a proper incident thereto as defined in section 4(c)(8) or section 4(k)(4)(F) of the Federal Bank Holding Company Act of 1956, as amended; or
- holds and manages investment assets, including but not limited to bonds, notes, debentures, and other obligations for the payment of money, stocks, partnership interests or other equity interests, and other investment securities

is a banking corporation, if its voting stock is 65% or more owned or controlled directly or indirectly by a banking corporation described above or by a bank holding company.

However, a corporation that is 65% or more owned and is principally engaged in a business described in Tax Law, Article 9, section 183, 184, or 186 (as it was in effect on December 31, 1999), such as a telegraph, telephone, trucking, railroad, gas, or electric business, is not subject to Tax Law Article 32 if any of its business receipts from that business are from outside the corporation that controls it. Pursuant to Tax Law, Article 32, section 1452(d), a corporation 65% or more owned that was subject to tax under Article 9-A for its tax year ending in 1984 was allowed in 1985 to make a one-time *grandfather election* to continue to be taxable under Article 9-A. This election remains in effect until revoked by the taxpayer. In no event can the revocation of the election be for part of the tax year. The revocation is made by the filing of a tax return under Tax Law Article 32. However, if any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to the electing corporation, the election will be deemed revoked as of the first day of the tax year in which the condition applied.

If any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to a corporation required to be taxable under Article 9-A pursuant to the Gramm-Leach-Bliley (GLB) provisions of Tax Law section 1452, then such corporation, if it otherwise meets the requirements of items A, B, C, or D above, will be taxable under Article 32 as of the first day of the tax year in which the condition applied.

If any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to a corporation that has made the election to be taxable under Article 9-A pursuant to the GLB provisions of Tax Law section 1452, then the electing corporation will be deemed to have revoked the election as of the first day of the tax year in which the condition applied.

**Conditions**

- The corporation ceases to be a taxpayer under Article 9-A.
- The corporation has no wages or receipts allocable to New York State pursuant to Tax Law, Article 9-A, section 210.3, or is otherwise inactive. However, this condition does not apply to a corporation that is engaged in the active conduct of a trade or business, or substantially all of the assets of which are stock and securities of corporations that are directly or indirectly controlled by it and are engaged in the active conduct of a trade or business.
- 65% or more of the voting stock of the corporation becomes owned or controlled directly by a corporation that acquired the stock in a transaction (or series of related transactions) that qualifies as a purchase within the meaning of IRC section 338(h)(3), unless both corporations, immediately prior to the purchase, were members of the same affiliated group (as such term is defined in IRC section 1504 without regard to the exclusions provided for in 1504(b)). However, any acquisition that was completed on or before January 3, 2007, shall be treated as an acquisition made before January 1, 2007.
- The corporation, in a transaction or series of related transactions, acquires assets, whether by contribution, purchase, or otherwise, having an average value as determined in accordance with Tax Law section 210.2 (or, if greater, a total tax basis) in excess of 40% of the

average value (or, if greater, the total tax basis) of all assets of the corporation immediately prior to the acquisition and, as a result of the acquisition, the corporation is principally engaged in a business that is different from the business immediately prior to the acquisition (provided that such different business is described in item D above).

**Transitional provisions for the GLB Act (Articles 9-A and 32) —**

Under the federal GLB Act, an entity was created called a *financial holding company* (FHC) that can own banks, insurance companies, and securities firms. As a result of the GLB Act, the Tax Law was amended in 2000 to allow certain corporations that were taxed under Article 9-A or Article 32 in 1999 to retain their tax status in 2000. These transitional provisions expire for tax years beginning on or after January 1, 2015. The GLB provisions do not preclude taxpayers that made the one-time election to remain taxable under Article 9-A, pursuant to section 1452(d) (the grandfather election), from revoking that election. Also, the provisions that require a corporation to remain a taxpayer under Article 32, if it was previously taxable as a banking corporation, do not apply if the corporation no longer meets the requirements of items A, B, C, or D as provided under *Banking corporations*.

**Credit card banks —** A banking corporation that meets one or more of the following tests is subject to tax under Article 32:

- it has issued credit cards to 1,000 or more customers with mailing addresses in New York State as of the last day of its tax year;
- there are 1,000 or more locations in New York State covered by contracts with merchant customers to whom the banking corporation remitted payments for credit card transactions during the tax year;
- it has receipts of \$1 million or more during the tax year from customers who have been issued credit cards by the banking corporation and have mailing addresses in New York State;
- it has receipts of \$1 million or more from merchant customer contracts with merchants relating to locations in New York State; or
- it has either a) a total number of cardholders and merchant locations in New York State that equals or exceeds 1,000 or b) total receipts from cardholders and merchant locations in New York State that equal or exceed \$1 million.

Receipts from processing credit card transactions for merchants include merchant discount fees received by the banking corporation.

A *credit card* includes bank, credit, travel, and entertainment cards.

**Tax treatment of REITs and RICs —** A captive REIT (as defined in Tax Law, Article 1, section 2.9) or a captive RIC (as defined in Tax Law, Article 1, section 2.10) is required to file a combined return with the closest corporation that directly or indirectly owns or controls over 50% of the voting stock of the captive REIT or the captive RIC. In addition, a qualified REIT subsidiary must be included in the combined return of its captive REIT parent.

However, a captive REIT or captive RIC will not be required to file a combined return with a bank or bank holding company that directly or indirectly owns or controls over 50% of the voting stock of the captive REIT or captive RIC if the members of the affiliated group that includes the bank own assets with a combined average value of \$8 billion or less, and if those members are engaged only in businesses that are permissible for bank holding company subsidiaries.

**Overcapitalized captive insurance companies must be included in combined returns under Article 9-A or 32—** An overcapitalized captive insurance company (as defined in Tax Law section 2.11) must be included in a combined return under Article 9-A or 32 with the closest corporation that directly or indirectly owns or controls over 50% of the voting stock of the insurance company. Such insurance companies no longer meet the definition of an insurance corporation under Tax Law, Article 33, section 1500(a).

**Other forms you may need to file**

**Form CT-60-QSSS, *Affiliated Entity Information Schedule***

You must file Form CT-60-QSSS if you are an Article 9-A (general business corporation) or an Article 32 (bank) taxpayer and:

- you own a qualified subchapter S subsidiary (QSSS), or

- you are a corporate partner, or
- you own one or more disregarded entities and you have included the income, gains, losses, deductions, credits, or other tax attributes of these entities on your New York State franchise tax return.

You must file Form CT-60-QSSS to inform the Tax Department that the income, deductions, credits, and other tax attributes of these entities will be included on your New York State franchise tax return for that tax period. This will also notify the Tax Department that the QSSS and disregarded entities will not be filing a separate franchise tax return for that tax period.

#### Qualified subchapter S subsidiary (QSSS)

The filing requirements for a QSSS that is owned by a New York C corporation or a non-taxpayer corporation are outlined below. Where New York State follows federal QSSS treatment, the parent and QSSS must file a single franchise tax return. The QSSS is ignored as a separate taxable entity, and the assets, liabilities, income, and deductions of the QSSS are included on the parent's franchise tax return. However, for other taxes, such as sales and excise taxes, and the license and maintenance fees imposed under Article 9, the QSSS will continue to be recognized as a separate corporation. As a result, a foreign authorized QSSS included in the parent's return (disregarded as a separate taxable entity for franchise tax purposes) that is filing under Article 32 by reason of *Who must file*, item D, must file Form CT-245, *Maintenance Fee and Activities Return for a Foreign Corporation Disclaiming Tax Liability*. For more information on the maintenance fee, see *License and maintenance fees*.

- Parent is a New York C corporation** – New York State follows the federal QSSS treatment if (1) the QSSS is a New York State taxpayer, or (2) the QSSS is not a New York State taxpayer, but the parent makes a QSSS inclusion election. In both cases, the parent and QSSS are taxed as a single New York C corporation and file Form CT-32. If the parent does not make a QSSS inclusion election, it must file Form CT-32 as a New York C corporation on a stand-alone basis.
- Nontaxpayer parent** – New York State follows the federal QSSS treatment where the QSSS is a New York taxpayer but the parent is not, if the parent elects to be taxed as a New York S corporation by filing Form CT-6. The parent and QSSS are taxed as a single New York S corporation and file Form CT-32-S on a joint basis. If the parent does not elect to be a New York S corporation, the QSSS must file as a New York C corporation on a stand-alone basis on Form CT-32.
- Exception: excluded corporation** – Notwithstanding the above rules, QSSS treatment is not allowed unless both parent and QSSS are banking corporations. That is, the corporations must file on a stand-alone basis if one is an Article 32 taxpayer but the other is an Article 9, 9-A, or 33 taxpayer, or is a corporation that would be subject to such taxes if taxable in New York.

Where New York follows federal QSSS treatment, the QSSS will not be considered a subsidiary of the parent corporation.

#### License and maintenance fees

Foreign bank holding corporations and foreign corporations that are 65% or more owned by a banking corporation or a bank holding company (as defined under *Who must file*, item D) must pay a license fee for the privilege of exercising their corporate franchise or carrying on business in New York State, whether or not the corporation is authorized. Payment of the corporation franchise tax does not satisfy the license fee obligation, which is payable with Form CT-240, *Foreign Corporation License Fee Return*.

Such a corporation, if authorized to do business in New York, must also pay an annual maintenance fee of \$300 until it surrenders its authority to do business to the Department of State, whether or not it does business in the state. The fee may be reduced by 25% if the period for which the fee is imposed is more than six months but not more than nine months, and by 50% if the period for which the fee is imposed is not more than six months. Payment of the corporation franchise tax of at least \$300 satisfies the maintenance fee

requirement. If the corporation has tax plus metropolitan transportation business tax (MTA surcharge) due of less than \$300, the corporation must adjust its payment accordingly to satisfy the maintenance fee requirement. The license fee is not considered corporation tax and cannot be considered as a payment toward the maintenance fee.

If the corporation is disclaiming tax liability, it must pay the \$300 maintenance fee by filing Form CT-245.

#### Independently procured insurance tax

If you purchase or renew a taxable insurance contract directly from an insurer not authorized to transact business in New York State under a Certificate of Authority from the Superintendent of Financial Services, you may be liable for a tax of 3.6% of the premium. For more information, see Form CT-33-D, *Tax on Premiums Paid or Payable To an Unauthorized Insurer For Taxable Insurance Contracts with an Effective Date on or after July 21, 2011*.

#### When and where to file

File Form CT-32 within 2½ months after the end of the tax year. If the due date falls on a Saturday, Sunday, or legal holiday, the return is due on the next business day. If you cannot meet the filing deadline, ask for an extension of time by filing Form CT-5, *Request for Six-Month Extension to File (for franchise/business taxes, MTA surcharge, or both)*.

Mail returns to: **NYS CORPORATION TAX  
PROCESSING UNIT  
PO BOX 22038  
ALBANY NY 12201-2038**

#### Private delivery services

See Publication 55, *Designated Private Delivery Services*.

#### International banking facility (IBF) election

See Schedule G instructions for information on the IBF modification method and the IBF formula allocation method.

#### Allocation

See Schedule H instructions for information on allocation.

#### Completing your return

##### Amended return

If you are filing an amended return, mark an **X** in the *Amended return* box on page 1 and attach a copy of the federal revenue agent's report or the amended federal return to the amended Form CT-32.

If you file an amended federal return, you must file an amended New York State return within 90 days (120 days if filing an amended combined return) thereafter.

**For amended returns based on changes by the Internal Revenue Service (IRS)** — If your federal taxable income (FTI) has been changed or corrected by a final determination of the Commissioner of Internal Revenue, you must file an amended return reflecting the federal changes within 90 days (120 days if filing an amended combined return) of the final federal determination. For a definition of final determination, see New York Code, Rules, and Regulations (NYCRR), Title 20, section 21-1.3(b).

You must attach a copy of federal Form 4549, *Income Tax Examination Changes*, to your amended return.

If you filed as part of a consolidated group for federal tax purposes but on a separate basis for New York State tax purposes, you must submit a statement indicating the changes that would have been made if you had filed on a separate basis for federal tax purposes.

**For credits or refunds of corporation tax paid** — To claim any refund type that requires an amended return, file an amended New York State return for the year being amended and, if applicable, attach a copy of the claim form filed with the IRS (usually Form 1120X) and proof of federal refund approval, *Statement of Adjustment to Your Account*.

If you are a federal S corporation, file an amended New York State return for the year being amended. If applicable, attach a copy of the amended federal Form 1120S.

The amended return must be filed within three years of the date the original return was filed or within two years of the date the tax was paid, whichever is later. If you did not file an original return, you must make the request within two years of the date the tax was paid. However, a claim for credit or refund based on a federal change must be filed within two years from the time the amended return reporting the change or correction was required to be filed (see *For amended returns based on changes by the Internal Revenue Services (IRS)*). For additional limitations on credits or refunds, see Tax Law, Article 27, section 1087.

**Reporting period**

Use this return for calendar year 2014 and fiscal years that begin in 2014 and end in 2015. **Do not** file using this 2014 return if:

- you have a tax year of less than 12 months that begins and ends in 2015, **and**
- the 2015 return is not yet available at the time you are required to file the return.

Instead, file a request for an extension to file for the short period and wait for the 2015 return to become available on the Tax Department's Web site (see *Need help?*).

All filers must complete the beginning and ending tax year boxes in the upper right corner on page 1 of the form.

**Employer identification number (EIN), file number, and other identifying information**

We must have the necessary identifying information to process your corporation tax forms. If you use a paid preparer or accounting firm, make sure they use your complete and accurate identifying information when completing all forms. Keep a record of that information and include it on each corporation tax form mailed.

**County code**

If your headquarters are located in New York State, enter the appropriate county code of the headquarters location from *Table 1*. If your headquarters are in another state, enter code **65**. If your headquarters are outside the United States, enter code **67**.

**Table 1  
New York State County Codes**

County	Code	County	Code	County	Code
Albany	01	Jefferson	22	Schoharie	43
Allegany	02	Lewis	23	Schuyler	44
Broome	03	Livingston	24	Seneca	45
Cattaraugus	04	Madison	25	Steuben	46
Cayuga	05	Monroe	26	Suffolk	47
Chautauqua	06	Montgomery	27	Sullivan	48
Chemung	07	Nassau	28	Tioga	49
Chenango	08	Niagara	29	Tompkins	50
Clinton	09	Oneida	30	Ulster	51
Columbia	10	Onondaga	31	Warren	52
Cortland	11	Ontario	32	Washington	53
Delaware	12	Orange	33	Wayne	54
Dutchess	13	Orleans	34	Westchester	55
Erie	14	Oswego	35	Wyoming	56
Essex	15	Otsego	36	Yates	57
Franklin	16	Putnam	37	Bronx	60
Fulton	17	Rensselaer	38	Kings	60
Genesee	18	Rockland	39	New York	60
Greene	19	St. Lawrence	40	Queens	60
Hamilton	20	Saratoga	41	Richmond	60
Herkimer	21	Schenectady	42		

**Definition of headquarters**

*Headquarters* is defined as the location where the majority of executive officers reside for purposes of work.

**Location of headquarters**

If your headquarters are located in the United States, enter the five-digit ZIP code of the location of your headquarters. If your headquarters are located outside the United States, enter the name of the country where your headquarters are located.

**Copy of federal return**

Attach a copy of federal Form 1120 or 1120F, complete with attachments, and any other returns or information requested in this return.

**Metropolitan transportation business tax (MTA surcharge)**

Any corporation taxable under Article 32 that does business in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-32-M, *Banking Corporation MTA Surcharge Return*, and pay the MTA surcharge on business done in the Metropolitan Transportation Authority region. The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Answer the MTA surcharge question above line A on page 1. Corporations not doing business in the MCTD must disclaim liability for the MTA surcharge by answering *No*. They are not required to file Form CT-32-M.

**Signature**

The return must be certified by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer authorized by the taxpayer corporation.

The return of an association, publicly traded partnership, or business conducted by a trustee or trustees must be signed by a person authorized to act for the association, publicly traded partnership, or business.

If an outside individual or firm prepared the return, all applicable entries in the paid preparer section must be completed, including identification numbers (see *Paid preparer identification numbers* in Form CT-1). Failure to sign the return will delay the processing of any refunds and may result in penalties.

**Line instructions**

**Final return** — Mark an **X** in the final return box if this corporation will no longer be subject to any franchise tax under New York State Tax Law. In the case of a merger or consolidation, the final return box would be marked only if this corporation was the non-surviving corporation. **Do not** mark the final return box if this corporation is only changing the New York State franchise tax return it will be filing for its next tax period (for example, from Form CT-32 to Form CT-3). In that instance, mark an **X** in the second box.

**Line A** — Make your check or money order payable in United States funds. We will accept a foreign check or foreign money order only if payable through a United States bank or if marked **Payable in U.S. funds**.

**Schedule A**

**Line 2** — Enter allocated taxable alternative entire net income (ENI) computed on line 69, and multiply by the tax rate of 3% (.03).

**Line 3** — Enter allocated taxable assets computed on line 73, and multiply by the appropriate tax rate from the chart following Schedule D.

**Line 6**

Complete the summary of tax credits claimed section on page 10 of Form CT-32, and enter on this line the total amount of the credits that you are applying against this year's tax. When completing the summary of tax credits claimed section, enter in the *Other credits* box the total amount of any credit(s) being claimed for which no specific box is provided.

If you are required to recapture a tax credit that was allowed in a previous reporting period, and the result is a negative credit amount on your credit claim form, enter this negative amount as such in the applicable box.

Do not include on line 6 any amount of credit that you are having refunded or carried over. Credits for which you are requesting a refund are reported on line 20b. When claiming more than one credit, you must apply them against your tax in the following order:

1. Noncarryover credits that are not refundable.

2. Empire zone (EZ) and zone equivalent area (ZEA) wage tax credits.
3. Carryover credits that are of limited duration.
4. Carryover credits that are of unlimited duration.
5. Refundable credits.

The credit for servicing mortgages may reduce your tax to zero. However, it is not eligible for refund or carryforward. For the attributes of any other credits you may be claiming, see the applicable credit claim form and/or instructions.

**Line 7** — If you are an authorized foreign bank holding company or an authorized foreign corporation that is 65% or more owned by a banking corporation or a bank holding company (as defined under *Who must file*, item D), and the total of your New York State corporation taxes and MTA surcharge is less than \$300, you must increase your payment so that this total equals \$300. Do not enter \$300 on this line; enter only the amount of tax calculated. Include on line A the difference between \$300 and the total taxes calculated. If you are filing a short period return, refer to *License and maintenance fees* to determine the minimum maintenance fee requirement.

**Line 8b** — If the net franchise tax on line 7 exceeds \$1,000 and you did not file Form CT-5, a mandatory first installment is required for the period following the one that is covered by this return. If the amount on line 7 is greater than \$1,000, but does not exceed \$100,000, multiply line 7 by 25% (.25) and enter here. If the amount on line 7 exceeds \$100,000, multiply line 7 by 40% (.4) and enter here.

**Line 12** — Form CT-222, *Underpayment of Estimated Tax by a Corporation*, is filed by a corporation to inform the Tax Department that the corporation meets one of the exceptions to reduce or eliminate the underpayment of estimated tax penalty pursuant to Tax Law, Article 27, section 1085(d).

**Line 13 — Interest on late payment** — If you do not pay the franchise tax due on or before the original due date (**without** regard to any extension of time to file), you must pay interest on the amount of the underpayment from the original due date to the date paid. Exclude from the interest computation any amount shown on line 8a or 8b *First installment of estimated tax for next period*. Interest will be compounded daily.

**Line 14 — Late filing and late payment penalties** — Compute additional charges for late filing and late payment on the amount of tax less any payment made on or before the due date (**with** regard to any extension of time to file). Exclude from the penalty computation any amount shown on line 8a or 8b.

- A. If you do not file a return when due or if the request for extension is invalid, add to the tax 5% per month up to 25% (Tax Law section 1085(a)(1)(A)).
- B. If you do not file a return within 60 days of the due date, the addition to tax in item A above cannot be less than the smaller of \$100 or 100% of the amount required to be shown as tax (Tax Law section 1085(a)(1)(B)).
- C. If you do not pay the tax shown on a return, add to the tax ½% per month up to 25% (Tax Law section 1085(a)(2)).
- D. The total of the additional charges in items A and C may not exceed 5% for any one month except as provided for in item B (section 1085 (a)). If you think you are not liable for these additional charges, attach a statement to your return explaining the delay in filing, payment, or both (Tax Law section 1085).

**Note:** You may compute your interest and penalty by accessing our Web site, or you may call and we will compute the interest and penalty for you (see *Need help?*)

**Line 20b** — If you claim a refund of unused tax credits, enter the total amount to be refunded and attach the appropriate tax credit form(s). Do not include this amount in the total credits claimed on lines 6 and 178.

**Line 20c** — If you request unused tax credits to be credited as an overpayment to next year's return, enter the total amount to be credited and attach the appropriate tax credit form(s). Do not include this amount in the total credits claimed on line 6 or line 178.

**Line 21** — Every corporation subject to tax under Tax Law Article 32, including each corporation included in a combined return, must compute its issuer's allocation percentage on a separate basis (see *Computation of issuer's allocation percentage*).

Compute the issuer's allocation percentage on Form CT-32, page 9. Failure to provide the information necessary to compute the issuer's allocation percentage may result in a \$500 penalty (Tax Law section 1085(o)).

## Schedule B

**Line 22** — Enter FTI before net operating loss (NOL) and special deductions.

If you are filing federal returns on a consolidated basis, enter FTI before NOL and special deductions that would be reported as if a separate federal return had been filed.

Attach a copy of the consolidated federal return with spread sheets or work papers supporting the federal consolidated return.

If you have an amount of excess inclusion as a result of having a residual interest in a real estate mortgage investment conduit (REMIC), you must properly reflect this income in FTI.

**Line 23** — Corporations organized under the laws of a country other than the U.S. (alien corporations), enter dividends (including the IRC section 78 gross-up on dividends to the extent not already included in FTI) and interest on any kind of stock, securities, or indebtedness that are effectively connected with the conduct of a trade or business in the U.S. pursuant to IRC section 864 and are excluded from FTI.

**Line 24** — Alien corporations, enter any income effectively connected with the conduct of a trade or business in the U.S. pursuant to IRC section 864 that is exempt from FTI under any treaty obligation of the U.S., and any income that would be treated as effectively connected with the conduct of a trade or business in the U.S. pursuant to IRC section 864 were it not excluded from gross income pursuant to IRC section 103(a).

**Line 25** — Corporations organized under the laws of the U.S. or any of its states (non-alien), enter dividends (including the IRC section 78 gross-up on dividends to the extent not already included in FTI) and interest on any kind of stock, securities, or indebtedness that were excluded from FTI. Include all interest on state and municipal bonds and obligations of the U.S. and its instrumentalities.

**Line 26** — Enter any taxes on or measured by income or profit paid or accrued to the United States, any of its possessions, or any foreign country, that were deducted in computing FTI on line 22.

**Line 27** — Enter all New York State franchise taxes imposed under Article 9 sections 183, 184, and 186, and Articles 9-A and 32 that were deducted in computing FTI. Also include any MTA surcharge and Article 23 Metropolitan Commuter Transportation Mobility Tax (MCTMT) amounts deducted in computing FTI.

**Line 28** — Use this line if:

- the corporation claims the federal accelerated cost recovery system/modified accelerated cost recovery system (ACRS/MACRS) deduction for property placed in service **either** inside or outside New York State after 1980 in tax periods beginning before 1985; or
- the corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property; or
- the corporation claims a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in Tax Law, Article 9-A, section 208.9(q), or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; or
- the corporation disposes this year of either ACRS/MACRS property, or property for which you claimed a 30%/50%/100% federal special depreciation deduction and the New York State depreciation modifications applied to the property in any prior years; or
- Form CT-32, Schedule E, applies.

If this line applies, complete Form CT-399, *Depreciation Adjustment Schedule* and enter from line 3, column E, of that form the amount of your federal deduction that must be added back to FTI. If you disposed of property this year, include the amount from Form CT-399, line 10, column A. If Form CT-32, Schedule E, applies, include the combined totals of lines 76 and 78.

**Line 30** — Enter any amount claimed as a deduction in computing FTI solely as a result of an election made pursuant to the provision of IRC section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to January 1, 1984).

**Line 31** — Enter any amount that the taxpayer would have been required to include in the computation of its FTI had it not made the election permitted pursuant to the provisions of IRC section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to January 1, 1984).

**Line 32** — If you are claiming the special additional mortgage recording tax credit, you must adjust ENI by adding back the special additional mortgage recording tax claimed as a credit and used as a deduction in the computation of FTI. The gain on the sale of real property on which you claimed the special additional mortgage recording tax credit must be increased when you used all or any portion of the credit in the basis for computing the federal gain.

**Lines 34 and 35** — These lines do not apply to the current tax year and have therefore been shaded.

**Line 36 – Other additions to FTI (attach list)**

**IRC section 199 deduction** — Enter in the first entry box the amount of the deduction for domestic production activities from your federal return that is required to be added back under Tax Law section 1453(b)(14).

If you have any of the following other additions to FTI, add the amount from the first box to the total amount of those additions and enter the result.

**A-1** If you computed ENI using the IBF modification method on line 51, you must add any income the IBF received from foreign branches that is included on line 88, and that is not included in FTI.

**A-2 Qualified emerging technology investments (QETI)** — If you elected to defer the gain from the sale of QETI, then you must add to FTI the amount previously deferred when the reinvestment in the New York qualified emerging technology company that qualified you for that deferral is sold. See subtraction S-2.

**A-3** Include the amount of royalty payments directly or indirectly paid, accrued, or incurred in connection with one or more direct or indirect transactions with one or more related members during the tax year to the extent deductible in calculating FTI (Tax Law section 1453(r)).

**Note:** Exceptions to this addition apply. For more information on the exceptions, see TSB-M-13(6)C, *Summary of Budget Bill Corporation Tax Changes Enacted in 2013 - Effective for Tax Years 2013 and After*. If you believe you do not have to make the addition as a result of one of the exceptions, attach a statement explaining how you meet each requirement for the exception.

**A-4** If you are claiming an environmental remediation insurance credit, you must include on this line the amount of premiums paid for environmental remediation insurance and deducted in determining FTI, to the extent of the amount of the credit allowed under Tax Law, Article 1, section 23 and Article 32, section 1456(s).

**Line 38** — Enter expenses not deducted on your federal return that are applicable to income from dividends or interest that is exempt from federal tax, shown on lines 23, 24, and 25.

**Line 39** — Use this line if:

- the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** inside or outside New York State after 1980 in tax periods beginning before 1985; or
- the corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property; or
- the corporation claims a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified

property (excluding qualified resurgence zone property described in Tax Law section 208.9(q), or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; or

- the corporation disposes this year of either ACRS/MACRS property or property for which you claimed a 30%/50%/100% federal special depreciation deduction and the New York State depreciation modifications applied to the property in any prior years; or
- Form CT-32, Schedule E, applies.

If this line applies, enter the amount from Form CT-399, line 3, column I. If you disposed of property this year, include the amount from Form CT-399, line 10, column B. Also, if Form CT-32, Schedule E, applies, include the amount from line 79.

**Line 41** — Enter any income or gain from installment sales included in FTI that was previously includable in computing tax under Article 9-B or 9-C.

**Line 43** — Enter any amount included in FTI solely as a result of an election made pursuant to the provisions of IRC section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to January 1, 1984).

**Line 44** — Enter any amount you could have excluded from FTI had you not made the election pursuant to IRC section 168(f)(8) (safe harbor lease as it was in effect for agreements entered into prior to January 1, 1984). For additional information on safe harbor leases, see TSB-M-82(15)C, *1982 Legislation-Safe Harbor Leases*.

**Line 45** — Include the amount of wages disallowed under IRC section 280C in the computation of your FTI because you claimed a federal credit. Attach a copy of the appropriate federal credit form.

**Line 46** — Enter any amount of money or other property (whether or not evidenced by a note or other instrument) received from the following: the Federal Deposit Insurance Corporation (FDIC) or the Resolution Trust Corporation (RTC) under United States Code (USC), Title 12, section 1823(c); or the Federal Savings and Loan Insurance Corporation (FSLIC) under former section 406(f)(1), (2), (3), or (4) of the Federal National Housing Act, as amended before such section was repealed.

**Line 47** — Attach a list showing the names of the subsidiaries and the amount of interest income received from each (see TSB-M-87(11)C, *Article 32 Franchise Tax on Banking Corporations*).

A *subsidiary* is a corporation that is controlled by the taxpayer because the taxpayer owns more than 50% of the total number of the shares of the corporation's voting capital stock. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books of the issuing corporation. Actual beneficial ownership of stock does not mean indirect ownership or control of a corporation through a corporate structure consisting of several tiers, chains, or both. For additional information, see 20 NYCRR 16-2.22.

*Subsidiary capital* is the taxpayer's total investment in shares of stock in its subsidiaries, and the amount of indebtedness owed to the taxpayer by its subsidiaries (whether or not evidenced by written instruments) on which interest is not claimed and deducted by the subsidiary against any tax imposed by Tax Law Article 9-A, 32, or 33. It does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for sales of property held primarily for sale to customers.

**Line 48** — Attach a list showing the names of each subsidiary and the amount of dividend income received from each subsidiary to the extent included in FTI on line 22 or line 24, or both (see TSB-M-87(11)C). Deduct from subsidiary dividend income any section 78 dividends deducted on line 42 that are attributable to dividends from subsidiary capital. Do not include on this line any amount that should be included on line 57 (S-4).

**Line 49** — Attach a list showing the names of each subsidiary and the amount of gains or losses received from each subsidiary to the extent included in FTI on line 22 (see TSB-M-87(11)C). Include any gain or loss from the sale of a subsidiary corporation, as a result of an IRC section 338 election, to the extent the gain or loss is included in FTI on line 22. Subsidiary gains must be offset by subsidiary losses. If subsidiary gains exceed subsidiary losses, multiply the net gain by 60% (.6). If subsidiary losses exceed subsidiary gains, enter 0.

**Line 50** — Attach a list showing the name and amount of interest income received from each obligation of New York State, political subdivisions of New York State, and the United States.

The term *obligation* refers to obligations incurred in the exercise of the borrowing power of New York State or any of its political subdivisions or of the United States. It does not include obligations held for resale in connection with regular trading activities or obligations that guarantee the debt of a third party. The following do not qualify under this provision: guaranteed student loans, industrial development bonds issued under Article 18-A of the New York State General Municipal Law, Federal National Mortgage Association (FNMA) mortgage-backed securities, and Government National Mortgage Association (GNMA) mortgage-backed securities. This is not, however, a comprehensive list.

For additional information see TSB-M-86(7.1)C, *Determinations-Obligations of the United States, New York State, and Political Subdivisions of New York State*.

**Line 51** — Enter the amount from line 107 if you elected to compute ENI using the IBF modification.

**Note:** See instructions for lines 36 and 57 for adjustments to FTI that are attributable to transactions between the taxpayer's foreign branches and its IBF.

**Line 52 through 55** — These lines do not apply to the current tax year and have therefore been shaded.

#### **Line 56 — New York State NOL deduction**

A New York State NOL deduction is allowed for NOLs sustained in tax years beginning on or after January 1, 2001 (Tax Law section 1453(k-1)).

Enter any New York State NOL carried forward from tax years beginning on or after January 1, 2001. Attach a separate sheet with full details of both federal and New York State NOLs claimed.

These rules apply:

- No deduction is allowed for a NOL incurred during any tax year beginning before January 1, 2001.
- No deduction is allowed for a NOL incurred during any tax year in which the corporation was not subject to tax under Article 32.
- IRC section 172 federal losses must be adjusted to reflect the inclusions and exclusions from ENI required by the provisions of Article 32 section 1453 (other than the NOL deduction provision).
- The New York State NOL deduction is computed as if the corporation elected under IRC section 172 to relinquish the carryback provisions.
- The New York State NOL deduction may not exceed the allowable deduction for the tax year under IRC section 172, as augmented by the excess of the amount allowed as a New York State bad debt deduction over the federal bad debt deduction in each loss year (except to the extent such excess was previously deducted in computing ENI). However, due to the elimination of the separate New York State bad debt deduction, for loss years beginning on or after January 1, 2010, there no longer is an excess amount with which to augment the deduction under IRC section 172. Amounts from such excess from loss years beginning before January 1, 2010, are not impacted.
- The NOL may be carried forward for 20 years.

These rules also apply to any corporation included in a consolidated group for federal purposes, but filing on a separate basis for New York State purposes. These corporations should compute their NOLs and NOL deductions as if filing on a separate basis for federal income tax purposes.

#### **Line 57 — Other subtractions from FTI (attach list)**

**S-1** If you computed ENI using the IBF modification method on line 51, you must subtract any expenses of the IBF that were paid to foreign branches of the taxpayer that are included on line 91 that are not included in FTI.

**S-2** You may defer the gain on the sale of QETIs that are held for more than 36 months and rolled over into the purchase of a QETI within 365 days. Replacement QETI must be purchased within the 365-day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the

sale of the original QETI exceeds the cost of replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. The gain deferred must be added back in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from FTI the amount of the gain deferral (to the extent the gain is included in FTI). If purchase of the replacement QETI within the 365-day period occurs in the same tax year as the sale of the original QETI, or in the following tax year and before the date the corporation's franchise tax return is filed, take the deduction on that return.

If purchase of the replacement QETI within the 365-day period occurs in the following tax year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction. For more information, see TSB-M-98(7)C, *1998 Summary of Corporation Tax Legislative Changes*, pages 5 and 6.

**S-3** Victims or targets of Nazi persecution: Include the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of these victims or targets, if included in your FTI. Do not include amounts received from assets acquired with such assets or with the proceeds from the sale of such assets (Tax Law, Article 1, section 13).

**S-4** Subtract 100% of dividend income from subsidiary capital received during the tax year if that dividend income is directly attributable to a dividend from a captive REIT or captive RIC for which the captive REIT or captive RIC claimed a federal dividends paid deduction and that captive REIT or captive RIC is included in a combined return under Article 9-A, 32, or 33. Enter in the first entry box the total amount of all such dividend income that is being included on line 57.

**S-5** Include any amount of Articles 9-A, 23, or 32 tax that was refunded or credited for which no exclusion or deduction was allowed in determining ENI.

**S-6** Enter in the second entry box the amount of refund of the qualified empire zone enterprise (QEZE) credit for real property taxes that is included in your FTI and is being included on line 57.

**Line 60** — If you claim a deduction for optional depreciation, enter the total of lines 77 and 82.

### **Schedule C**

**Line 62** — ENI must be the same as that reported on line 59a. Whatever election you make concerning the IBF modification to ENI applies to the computation of alternative ENI.

### **Schedule D**

A taxpayer is not subject to the tax on taxable assets for that portion of the tax year in which it had outstanding net worth certificates issued to the following: the FDIC under 12 USC 1823(i); the RTC under 12 USC 1823(c)(1), (2), or (3); or the FSLIC under former section 406(f)(5) of the Federal National Housing Act, as amended before such section was repealed.

**Line 70** — Compute the average value of total assets that includes money or other property received from the FSLIC, FDIC, or RTC and interbank placements. Average value of total assets is generally computed on a quarterly basis. However, you may use a more frequent basis, such as monthly, weekly, or daily. Total assets are those assets that are properly reflected on a balance sheet, the income or expenses of which are properly reflected (or would have been properly reflected if not fully depreciated or expensed, or depreciated or expensed to a nominal amount) in the computation of the taxpayer's alternative ENI for the tax year, and in the computation of the eligible net income of the taxpayer's IBF for the tax year. Tangible real and personal property, such as buildings, land, machinery, and equipment is valued at cost. Intangible property such as loans, investments, coin, and currency is valued at book value.

**Line 71** — Include any amount of money or other property (whether or not evidenced by a note or other instrument) received from or attributable to amounts received from the following: the FDIC or the RTC under 12 USC 1823(c); or the FSLIC under former section 406(f)(1), (2), (3), or (4) of the Federal National Housing Act, as amended before such section was repealed.

**Line 74** — The term *net worth ratio* means the percentage of net worth to assets on the last day of the tax year. The term *net worth* means the sum of preferred stock, common stock, surplus, capital reserves, undivided profits, mutual capital certificates, reserve for contingencies, reserve for loan losses, and reserve for security losses, minus assets classified loss. The term *assets* means the sum of mortgage loans, nonmortgage loans, repossessed assets, real estate held for development, investment, or resale, cash, deposits, investment securities, fixed assets and other assets (such as financial futures, goodwill, and other intangible assets) minus assets classified loss. In no event shall assets be reduced by reserves for losses.

**Line 75** — Determine the percentage of mortgages included in total assets by dividing the average of the four quarterly balances of mortgages ending within the tax year by the average of the four quarterly balances of all assets ending within the tax year. Such quarterly balances shall be computed in the same manner as the Report of Condition required for FDIC purposes, whether or not such report is required. The term *mortgages* means loans secured by real property within or outside New York State, participations in and securities collateralized by pools of residential mortgages (whether or not issued or guaranteed by a United States government agency), and loans secured by stock in a cooperative housing corporation.

## Schedule E

Complete Schedule E when the computation of New York depreciation on property differs from federal depreciation. However, do not include depreciation adjustments required to be included on Form CT-399.

### Part 1

The taxpayer may elect to deduct up to double the amount of federal depreciation on qualified tangible property (except personal property leased to others) in lieu of the amount of normal depreciation. The original use of such property must commence with the taxpayer and the property must be (1) depreciable tangible property as defined by IRC section 167, (2) constructed or acquired after December 31, 1963, and on or before December 31, 1967, and (3) be located in New York. The total deduction of all years, including years covered by Article 9-B or 9-C for any unit of property, may not exceed the cost of such property. Any unused optional depreciation may be carried forward to succeeding years. Determine the amount of carryover by limiting allocated ENI (line 59b) to zero.

### Part 2

Include property on which the method of depreciation under Article 9-B or 9-C was different from that used for federal purposes.

## Schedule F

Complete Schedule F when the computation of New York gain or loss on disposition of property differs from federal gain or loss (do not include disposition adjustments required to be included on Form CT-399).

In computing gain, enter the higher of cost or fair market price or value at the applicable date. In computing loss, enter the lower of cost or fair market price or value at the applicable date.

Upon sale or disposition, compute the net gain or loss by adjusting the federal basis of such property to reflect the total deductions allowed for all years, including years covered by Article 9-B or 9-C.

## Schedule G

A corporation with an IBF located in New York State may do one of the following:

1. Use the IBF modification method, and deduct from ENI on line 51, the adjusted eligible net income of the IBF computed on line 107. The decision to use the IBF modification method for a tax year is made with the filing of the return for the tax year. Mark an **X** in the IBF modification boxes on Schedule G and Schedule H, Part 1. The decision to use the IBF modification may be changed by filing an amended return for the tax year. A corporation that uses the IBF modification method must complete lines 84 through 107.
2. Elect to use the IBF formula allocation method, and do not modify ENI. The election to use the IBF formula allocation method for a tax year is made with the filing of the return for the tax year. Mark an **X** in the IBF formula allocation method boxes on Schedule G and Schedule H, Part 1. The election to use the IBF formula

allocation method may be changed by filing an amended return for the tax year. A corporation that uses the IBF formula allocation method must complete lines 84 through 88.

For the effect of the IBF modification method and the IBF formula allocation method on allocation percentages, see *Allocation percentage for taxpayers with an IBF located in New York State*.

## Schedule H

A corporation that is doing business both within and outside New York State is entitled to allocate its ENI, alternative ENI, and taxable assets within and outside New York State. A corporation not doing business outside New York State must allocate its ENI, alternative ENI, and taxable assets 100% to New York State. However, a corporation that has an IBF located in New York State may elect, on an annual basis, to reflect the results of its IBF operations in its ENI allocation percentage and in its alternative ENI allocation percentage (see *Allocation percentage for taxpayers with an IBF located in New York State*).

In determining whether a corporation is doing business outside New York State, consideration is given to the same factors used to determine if business is being carried on within New York State (see *Definition of doing business within New York State*). A corporation that claims to be doing business outside New York State must attach a statement describing the activities of the corporation within and outside New York State.

Each allocation percentage is determined by a formula consisting of a payroll factor, a receipts factor, and a deposits factor.

Corporations that are 65% or more owned subsidiaries of banks and bank holding companies that are subject to tax under Article 32 because of Tax Law section 1452(a)(9), and that substantially provide management, administrative, or distribution services to an investment company must use the receipts factor only. Thus, for these corporations, the allocation percentage for ENI and alternative ENI is on line 123, while the allocation percentage for taxable assets is on line 153.

The receipts factor includes only receipts that are included in the computation of alternative ENI for the tax year. The deposits and payroll factors include only deposits and payroll, the expenses of which are included in the computation of alternative ENI for the tax year. Each factor is computed on a cash or accrual basis, according to the method of accounting used by the taxpayer for the tax year in computing its alternative ENI.

### Payroll factor

Determine the percentage of a corporation's payroll allocated to New York State by dividing 80% (100% when computing the alternative ENI allocation percentage) of the wages, salaries, and other personal service compensation of the corporation's employees (except general executive officers) within New York State during the period the corporation is entitled to allocate, by the total amount of wages, salaries, and other personal service compensation of the corporation's employees (except general executive officers) both within and outside New York State during the period the corporation is entitled to allocate.

If a corporation organized under the laws of a country other than the United States has employees that are regularly connected with or working out of an office of the corporation that is located outside of the U.S., no amount of the wages, salaries, and other personal service compensation of these employees is included in either the numerator or the denominator of the payroll factor.

The term *employees* includes every individual, except general executive officers, where the relationship existing between the corporation and the individual is that of employer and employee.

The phrase *employees within New York State* includes all employees regularly connected with or working out of an office of the corporation within New York State, irrespective of where the services of such employees were performed.

The phrase *general executive officer* includes every officer of the corporation charged with and performing general executive duties of the corporation who is elected by the shareholders, elected or appointed by the board of directors, or, if initially appointed by another officer, ratified by the board of directors. A general executive officer



must have company-wide authority with respect to assigned functions or duties, or must be responsible for an entire division of the company.

### Receipts factor

Determine the percentage of the taxpayer's receipts allocated to New York State by dividing 100% of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan), financing leases, and all other business receipts earned within New York State during the period the taxpayer is entitled to allocate, by the total amount of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan), financing leases, and all other business receipts earned within and outside New York State during the period the taxpayer is entitled to allocate.

### Interest income from loans and financing leases

Allocate to New York State interest income from loans and financing leases if such income is attributable to a loan or financing lease that is located in New York State. Interest income from a loan or financing lease does not include repayments of principal. A loan or financing lease is located where the greater portion of income producing activity relating to the loan or financing lease occurred.

Except for a taxpayer that is a production credit association or a corporation described under *Who must file*, item D, a loan or financing lease attributed by the taxpayer to a branch outside New York State will be presumed to be properly so attributed, provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of income producing activity related to the loan or financing lease did not occur at such branch. If a loan or financing lease is recorded on the books of a place outside New York State that is not a branch, it is presumed that the greater portion of income-producing activity related to such loan or financing lease occurred within New York State if the taxpayer had a branch within New York State at the time the loan or financing lease was made. The taxpayer may rebut such presumption by demonstrating that the greater portion of income-producing activity related to the loan or financing lease did not occur within New York State.

If a taxpayer is a production credit association or a corporation described under *Who must file*, item D, a loan or financing lease attributed by the taxpayer to a bona fide office outside New York State is presumed to be properly so attributed, provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of income-producing activity related to the loan or financing lease did not occur outside New York State.

*Income-producing activity* includes such activities as: solicitation, investigation, negotiation, approval, and administration of the loan or financing lease. A loan or financing lease is made when such loan or financing lease is approved. The term *loan* means any loan, whether the transaction is represented by a promissory note, security, acknowledgment of advance, due bill, or any other form of credit transaction, if the related asset is properly recorded in the financial accounts of the taxpayer. Loans include the taxpayer's portion of a participation in a loan. The term *financing lease* means a lease where the taxpayer is not treated as the owner of the property for purposes of computing alternative ENI.

### Other income from loans and financing leases

*Other income from loans and financing leases* includes, but is not limited to, arrangement fees, commitment fees, and management fees, but does not include repayments of principal. Other income from loans and financing leases is allocated to New York State when the greater portion of income producing activity relating to such income is within New York State.

### Lease transactions and rents

Receipts from real property and tangible personal property leased or rented from the corporation are allocated to New York State if such property is located in New York State. Receipts from rentals include all amounts received by the corporation for the use of or occupation of property, whether or not such property is owned by the taxpayer. Gross receipts received from real property and tangible personal property that is subleased must be included in the receipts factor.

### Interest from bank, credit, travel, entertainment, and other card receivables

Interest, fees in the nature of interest, and penalties in the nature of interest, from bank, credit, travel, entertainment, and other card receivables are allocated to New York State if the mailing address of the cardholder in the records of the taxpayer is in New York State.

### Service charges and fees from bank, credit, travel, entertainment, and other cards

Service charges and fees from bank, credit, travel, entertainment, and other cards are allocated to New York State if the mailing address of the cardholder in the records of the taxpayer is in New York State.

### Receipts from merchant discounts

Receipts from merchant discounts are allocated to New York State if the merchant is located within New York State. If a merchant has locations both within and outside New York State, only receipts from merchant discounts attributable to sales made from locations within New York State are allocated to New York State. It is presumed that the location of the merchant is the address of the merchant shown on the invoice submitted by the merchant.

### Income from trading activities and investment activities

The portion of total net gains and other income from trading activities and investment activities that is attributed within New York State is ascertained by multiplying such total net gains and other income by a fraction, the numerator of which is the average value of trading assets and investment assets attributable to New York State, and the denominator of which is the average value of all trading and investment assets. A trading asset or investment asset is attributable to New York State if the greater portion of income-producing activity related to the trading asset or investment asset occurred within New York State. *Trading activities* include, but are not limited to, foreign exchange transactions, the purchase and sale of options and financial futures, and, in appropriate cases, interbank fund transfers.

*Interbank fund transfers* include, but are not limited to, trading in negotiable certificates of deposit, currency swaps, interest rate swaps, Eurodollar transfers (purchases or sales), federal funds (sales, transfers, and purchases), and repurchase agreements representing transfer of funds.

### Fees or charges from letters of credit, traveler's checks, and money orders

Fees or charges from the issuance of letters of credit, traveler's checks, and money orders are allocated to New York State if such letters of credit, traveler's checks, or money orders are issued within New York State.

### Performance of services

Receipts for services performed by the taxpayer's employees regularly connected with or working out of a New York State office of the taxpayer are allocated to New York State if such services are performed within New York State.

When allocating receipts for services performed, it is immaterial where such receipts are payable or where they are actually received.

When allocating receipts for services to RICs, the amount of receipts received from an investment company (mutual fund) for management, administration, or distribution services, is allocated to New York State based on the domicile of the shareholders of the investment company (Tax Law, Article 32, section 1454(a)(2)(G)). For more information, see TSB-M-88(9)C, *Allocation of Receipts from services provided to a Regulated Investment Company (Mutual Fund) and Similar Investment Companies*.

If services are performed both within and outside New York State, determine the portion of the receipts attributable to services performed within New York State on the basis of the relative value of, or amount of time spent in performance of, such services within New York State, or by some other reasonable method. Full details must be submitted with the taxpayer's return.

### Royalties

Receipts of royalties from the use of patents, copyrights, and trademarks are allocated to New York State if the taxpayer's actual seat of management or control is located in New York State. *Royalties* include all amounts received by the taxpayer for the use of patents, copyrights, or trademarks, whether or not such patents, copyrights, or trademarks were issued to the taxpayer.

### All other business receipts

Income from securities used to maintain reserves against deposits to meet federal and state reserve requirements shall be allocated to New York State based upon the ratio that total deposits in New York State bears to total deposits everywhere.

All other business receipts earned by the taxpayer in New York State are allocated to New York State.

A receipt from the sale of a capital asset is not a business receipt and is not included in the receipts factor. For example, the receipt from the sale of a capital asset as scrap or at a gain is not included in the receipts factor.

### Deposits factor

Determine the percentage of the taxpayer's deposits allocated to New York State by dividing the average value of deposits maintained at branches of the taxpayer within New York State during the period the taxpayer is entitled to allocate, by the average value of all deposits maintained at branches of the taxpayer both within and outside New York State during the period the taxpayer is entitled to allocate.

The term *deposit* means:

- The unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or that is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank, or a letter of credit or a traveler's check on which the bank is primarily liable. However, without limiting the generality of the term *money or its equivalent*, any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note, upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank for collection.
- Trust funds received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank.
- Money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including without being limited to escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers' reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advanced payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. However, funds that are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness are not included.
- Outstanding drafts (including advice or authorization to charge a bank's balance in another bank), cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, purchases, or other costs or expenses of the bank itself.

A deposit is maintained at the branch of the taxpayer at which it is properly booked.

A deposit, the value of which at all times during the tax year was less than \$100,000, that is booked by a taxpayer at a branch outside

New York State is presumed to be properly booked, provided that such presumption may be rebutted if the Commissioner of Taxation and Finance demonstrates that the greater portion of contact relating to the deposit did not occur at such branch.

A deposit, the value of which at any time during the tax year was \$100,000 or more, is considered to be properly booked at the branch with which it has a greater portion of contact.

In determining whether a deposit has a greater portion of contact with a particular branch, consideration is given to such activities as:

- Whether the deposit account was opened at or transferred to that branch by or at the direction of the depositor or by a broker of deposits, regardless of where subsequent deposits or withdrawals may be made.
- Whether employees regularly connected with that branch are primarily responsible for servicing the depositor's general banking and other financial needs.
- Whether the deposit was solicited by an employee regularly connected with that branch, regardless of where such deposit was actually solicited.
- Whether the terms governing the deposit were negotiated by employees regularly connected with that branch, regardless of where the negotiations were actually conducted.
- Whether essential records relating to the deposit are kept at that branch, and whether the deposit is serviced at that branch.

The value of deposits maintained at branches of the taxpayer is the total of the amounts credited to depositors, including the amount of any interest so credited. The average value of deposits is to be computed on a daily basis. However, if the taxpayer's usual accounting practices do not permit the computation of average value on a daily basis, a computation on a weekly basis will be permitted. The Commissioner of Taxation and Finance will not permit the computation of average value of deposits on a basis less frequent than weekly, unless the taxpayer demonstrates that requiring it to use a weekly computation would produce an undue hardship.

### Allocation percentage for taxpayers with an IBF located in New York State

A corporation with an IBF located in New York State that uses the IBF modification must, when computing its ENI allocation percentage and its alternative ENI allocation percentage:

- Exclude from the numerator and denominator of the payroll factor the wages, salaries, and other personal service compensation of employees, the expenses of which are attributable to the production of eligible gross income of the IBF.
- Exclude from the numerator and denominator of the receipts factor those receipts that are attributable to the production of eligible gross income of the IBF.
- Exclude from the numerator and denominator of the deposits factor those deposits, the expenses of which are attributable to the production of eligible gross income of the IBF.

A corporation that has an IBF located in New York State and that has elected to use the IBF formula allocation method must, when computing its ENI allocation percentage and its alternative ENI allocation percentage, adjust such percentages to:

- Exclude from the numerator of the payroll factor the wages, salaries, and other personal service compensation of employees, the expenses of which are attributable to the production of eligible gross income of the IBF. Include in the denominator of the payroll factor the wages, salaries, and other personal service compensation of employees (except general executive officers), the expenses of which are attributable to the production of eligible gross income of the IBF.

When attributing the IBF wage, salary, and other personal service compensation expenses to the production of eligible gross income of the IBF, only those IBF wages, salaries, and other personal service compensation of IBF employees, the expenses of which are attributable to the production of eligible gross income under the IBF formula allocation method, are considered. Eligible gross income under the IBF formula allocation method does not include gross income from transactions with branches of the taxpayer (see 20 NYCRR section 19-2.3(d)) or gross income that is not eligible

gross income under the IBF modification method (including any not effectively connected income of an alien bank's IBF) (see 20 NYCRR sections 18-3.3(b) and 18-3.4).

- Exclude from the numerator, but include in the denominator of the receipts factor, those receipts that are attributable to the production of eligible gross income of the IBF.
- Exclude from the numerator, but include in the denominator of the deposits factor, deposits the expenses of which are attributable to the production of eligible gross income to the IBF.

When an IBF has income not considered eligible gross income under the IBF formula allocation method (as discussed in the payroll factor above) then, due to the fungibility of money, the IBF deposits received from foreign persons serve to fund both eligible and ineligible gross income. As a result, to determine the IBF deposits, the expenses of which are attributable to the production of eligible gross income under the IBF formula allocation method, the taxpayer multiplies the IBF deposits from foreign persons by the following ratio:

$$\frac{\text{IBF eligible gross income under the IBF formula allocation method}}{\text{IBF gross income (includes both eligible and ineligible income)}}$$

The product of this multiplication is the portion of the deposits received from foreign persons that may be excluded from the numerator of the deposits factor.

Every corporation that has an IBF located in New York State (whether or not it has made the IBF election) must compute its taxable assets allocation percentage as follows:

- Include in the numerator and denominator of the payroll factor wages, salaries, and personal service compensation of employees (except general executive officers), the expenses of which are attributable to the production of eligible gross income of the IBF.
- Include in the numerator and denominator of the receipts factor those receipts that are attributable to the production of eligible gross income of the IBF.
- Include in the numerator and denominator of the deposits factor those deposits and expenses that are attributable to the production of eligible gross income of the IBF.

A corporation that is not doing business outside New York State and that has made the IBF election must allocate taxable assets 100% to New York State.

**Line 123** — Divide line 122, column A, by line 122, column B.

**Corporations entitled to allocate ENI and alternative ENI using a single receipts factor:** enter the result here and on Schedule B, next to line 59b; Schedule C, next to line 67; line 131; and line 137. Continue with Part 3.

All other corporations continue with line 124.

**Line 131, line 137, and line 161** — If a factor is missing, add the remaining factors and divide by the number of factors present. A factor is missing only if both the numerator (column A) and the denominator (column B) are zero.

**Line 131** — Divide line 130 by five, or by the number of percentages present (see previous instructions for when a factor is missing). Enter the result on line 131, and on Schedule B, next to line 59b.

**Line 137** — Divide line 136 by three, or by the number of percentages present (see previous instructions for when a factor is missing). Enter the result on line 137, and on Schedule C, next to line 67.

**Line 153** — Divide line 152, column A by line 152, column B.

**Corporations entitled to allocate taxable assets using a single receipts factor:** enter the result here and on Schedule D, next to line 73, and on line 161.

All other corporations continue with line 154.

**Line 161** — Divide line 160 by five, or by the number of percentages present (see previous instructions for when a factor is missing). Enter the result on line 161, and on Schedule D, next to line 73.

## Composition of prepayments on Schedule A, line 10

If you need more space, write **see attached** in this section and attach a separate sheet showing all relevant prepayment information. Transfer the total shown on the attached sheet to line 10.

**Line 165** — You may also include from last year's return any amount of refundable tax credits you chose to be credited as an overpayment.

## Computation of issuer's allocation percentage

Compute the issuer's allocation percentage using one of three methods. Determine which one of the following three methods applies and compute the issuer's allocation percentage on Form CT-32, page 9. Tax Law section 1085(o) provides for a penalty of \$500 for failure to provide the information necessary to compute the issuer's allocation percentage. See additional information under the line 21 instructions and TSB-M-86(10)C, *Computation of the Issuer's Allocation Percentage by Banking Corporations Taxable Under Article 32 of the Tax Law*.

**Method 1** — A banking corporation (excluding corporations described in *Who must file*, item D) organized under the laws of the United States, New York State, or any other state, enters as its issuer's allocation percentage the alternative ENI allocation percentage from line 137.

**Method 2** — A banking corporation (excluding corporations described in *Who must file*, item D) organized under the laws of a country other than the United States enters as its issuer's allocation percentage the percentage determined by dividing gross income within New York State by worldwide gross income.

Enter as gross income within New York State total receipts as shown in column A on line 122.

Enter as worldwide gross income total receipts as shown in column B on line 122, plus all receipts as defined on lines 111 through 121, from sources outside the United States that were **not** taken into account in computing FTI.

Every corporation with an IBF located in New York State (whether or not it has made the IBF election) must include in the numerator and denominator of the issuer's allocation percentage receipts as defined on lines 111 through 121 that are attributable to the production of eligible gross income of the IBF.

When the receipts shown in the computation of the issuer's allocation percentage are different from the receipts shown in column A or B on line 122, attach an explanation.

**Method 3** — A corporation that is filing under Article 32 solely as a result of *Who must file*, item D, and every bank holding company that is included in a combined return, enters as its issuer's allocation percentage the percentage determined by dividing business and subsidiary capital allocated to New York State by total worldwide capital.

## Method 3 — Computation of subsidiary capital allocated to New York State

### Column A

Enter the full name and federal EIN of each subsidiary. *Subsidiary corporation* is defined by Tax Law, Article 32, section 1450(d) and in the instructions for line 47. For each subsidiary, complete columns B through G on the corresponding item line. Attach a separate sheet if additional space is needed.

### Column C

Enter the average value of each subsidiary. The average value is computed on a quarterly, monthly, weekly, or daily basis. Use the same basis of averaging subsidiary capital used to average total assets on line 70. *Subsidiary capital* is defined by Tax Law section 1450(e) and in the instructions for line 47.

### Column D

Enter the average value of current liabilities attributable to each subsidiary. The average value is computed on a quarterly, monthly, weekly, or daily basis. Use the same basis of averaging current liabilities used to average subsidiary capital in column C.

**Column F**

Enter the issuer's allocation percentage for each subsidiary. Obtain the issuer's allocation percentage from the New York State corporation franchise tax return filed by the subsidiary corporation for the preceding year.

Issuer's allocation percentages are available on the Tax Department's Web site and from many online and printed services. You may obtain up to three issuer's allocation percentages by calling (see *Need help?*).

**Method 3 — Computation of business capital allocated to New York State**

**Line 170** — Deduct the total average value of current liabilities that are properly reflected on a balance sheet. The average value is computed on a quarterly, monthly, weekly, or daily basis.

Use the same basis of averaging current liabilities as used to average total assets on line 70. Current liabilities are any liabilities maturing in one year or less from the date originally incurred.

**Method 3 — Computation of issuer's allocation percentage**

**Line 176** — Enter as total worldwide capital the average value of total assets as computed on line 70, plus the average value of all assets from sources outside the United States that were **not** taken into account in computing FTI.

When valuing assets from sources outside the United States, compute the average value of such assets in the same manner as the average value of total assets on line 70.

Deduct from total assets the total average value of current liabilities maturing in one year or less from the date originally incurred. Compute the average value of such current liabilities in the same manner as the average value of total assets.

If the assets shown in the computation of the issuer's allocation percentage are different from the assets shown on line 70, attach an explanation.

**Summary of tax credits claimed on line 6 against current year's franchise tax**

**Line 179** — Enter the total amount of credits that are **refund eligible** claimed on line 178 against your current year's franchise tax. Do not include any credit amounts actually requested as a refund on line 20b, or requested as an overpayment credited to next year's tax on line 20c.

The following are refund-eligible credits:

- Investment tax credit for the financial services industry (refundable to new businesses only) (Form CT-44)
  - Temporary deferral refundable payout credit (Form CT-502)
  - QEZE credit for real property taxes (Form CT-606)
  - Excelsior jobs program tax credit (Form CT-607)
  - Brownfield redevelopment tax credits (Forms CT-611 and CT-611.1)
  - Remediated brownfield credit for real property taxes (Form CT-612)
  - Environmental remediation insurance credit (Form CT-613)
  - Security officer training tax credit (Form CT-631)
  - Economic transformation and facility redevelopment program tax credit (Form CT-633)
  - Empire State jobs retention program credit (Form CT-634)
  - Minimum wage reimbursement credit (Form CT-639)
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