



Instructions for Form CT-3-S
New York S Corporation Franchise Tax Return

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Form CT-1, Supplement to Corporation Tax Instructions

See Form CT-1 for the following topics:

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All citations are to New York State Tax Law sections unless specifically noted otherwise.

Who must file

An S corporation is a small business corporation whose shareholders have consented to the corporation's choice of S corporation status, as permitted under Subchapter S of Chapter One of the Internal Revenue Code (IRC). Generally, an S corporation does not pay federal income tax but, instead, the corporation's income and deductions are passed through to its shareholders for the shareholders to report on their own personal income tax returns. The shareholders of federal S corporations subject to Tax Law Article 9-A may make a New York S election, by filing Form CT-6, Election by a Federal S Corporation to be Treated as a New York S Corporation. This includes both corporations organized under New York State law and foreign corporations (those organized under the laws of any other state) that do business, employ capital, own or lease property, maintain an office, or derive receipts from activity, in New York State.

If a corporation is a federal S corporation and wishes to make the election for New York State, the corporation is required to file Form CT-6 and receive approval before filing Form CT-3-S or Form CT-34-SH, New York S Corporation Shareholders' Information Schedule. Federal approval as an S corporation is not automatic approval for New York State.

Once a corporation has approval from the New York State Tax Department to be treated as a New York S corporation, it is required to file Form CT-3-S instead of Form CT-3, General Business Corporation Franchise Tax Return. Form CT-3-S is used to pay the entity level franchise tax under Article 9-A. Such tax is the fixed dollar minimum tax imposed under §210.1(d). The corporation must attach Form CT-34-SH to report, in aggregate, the New York S corporation items that the individuals, estates, and trusts who were shareholders of the New York S corporation during any part of the year need for filing their own New York State personal income tax returns.

The corporation must report to each shareholder the shareholder's pro rata share of the S corporation items reported on Form CT-34-SH, as well as any additional information the shareholder needs for filing, including the S corporation's business apportionment factor.

Mandated New York S corporation - Shareholders of eligible federal S corporations that have not made the election to be treated as a New York S corporation for the current tax year will be deemed to have made that election if the corporation's investment income is more than 50%

of its federal gross income for that year. For purposes of the mandated New York State S election, *investment income* means the sum of an eligible S corporation's gross income from interest, dividends, royalties, annuities, rents and gains derived from dealings in property, including the corporation's share of such items from a partnership, estate, or trust, to the extent such items would be includable in the corporation's federal gross income for the tax year. In determining whether an eligible S corporation is deemed to have made the New York S election, the income of a qualified subchapter S subsidiary (QSSS) owned directly or indirectly by the eligible S corporation shall be included with the income of the eligible S corporation. If deemed to have made the New York S election, the taxpayer must file Form CT-3-S.

**Domestic corporations** – A domestic corporation (incorporated in New York State) is generally liable for franchise taxes for each fiscal or calendar year, or part thereof, during which it is incorporated until it is formally dissolved with the Department of State ([www.dos.ny.gov](http://www.dos.ny.gov)). However, a domestic corporation that is no longer doing business, employing capital, owning or leasing property, or deriving receipts from activity, in New York State is exempt from the fixed dollar minimum tax for years following its final tax year and is no longer required to file a franchise tax return provided it meets the requirements listed in §209.8.

**Foreign corporations** – A foreign corporation (incorporated outside of New York State) is liable for franchise taxes during the period in which it is doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State.

A corporation is considered to be deriving receipts in this state if it has receipts within New York State of \$1 million or more in a tax year (§209.1). *Receipts* means the receipts that are subject to the apportionment rules in §210-A, and the term *receipts within this state* means the receipts included in the numerator of the apportionment factor determined under §210-A. Also, receipts from processing credit card transactions for merchants include merchant discount fees received by the corporation (§209.1(b)).

A corporation is doing business in this state if (§209.1(c)):

- it has issued credit cards (including bank, credit, travel, and entertainment cards) to 1,000 or more customers who have a mailing address in this state as of the last day of its tax year;
- it has merchant customer contracts with merchants and the total number of locations covered by those contracts equals 1,000 or more locations in this state to whom the corporation remitted payments for credit card transactions during the tax year; **or**
- the sum of the number of customers and the number of locations equals 1,000 or more.

For a foreign corporation that is a partner in a partnership, see *Corporate partners*.

A foreign corporation shall **not** be deemed to be doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in this state by reason of (§209.2):

- the maintenance of cash balances with banks or trust companies in this state;
- the ownership of shares of stock or securities kept in this state if kept in a safe deposit box, safe, vault, or other receptacle rented for the purpose, or if pledged as collateral security, or if deposited with one or more banks or trust companies, or with brokers who are members of a recognized security exchange, in safekeeping or custody accounts;
- the taking of any action by any such bank or trust company or broker, which is incidental to the rendering of safekeeping or custodian service to the corporation;
- the maintenance of an office in this state by one or more officers or directors of the corporation who are not employees of the corporation if the corporation otherwise is not doing business in this state, and does not employ capital or own or lease property in this state;
- the keeping of books or records of a corporation in this state if such books and records are not kept by employees of the corporation and the corporation does not otherwise do business, employ capital, own or lease property, or maintain an office in this state; **or**
- any combination of the activities listed above.

## Corporate partners

- If a partnership is doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State, then a corporation that is a **general** partner in that partnership is subject to tax under Article 9-A (§209.1(f)).
- A foreign corporation is doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State, if it is a **limited** partner of a partnership (other than a portfolio investment partnership) that is doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State, and if it is engaged, directly or indirectly, in the participation or in the domination or control of all or any portion of the business activities or affairs of the partnership.

A limited liability company (LLC) or limited liability partnership (LLP) that is treated as a partnership for federal income tax purposes will be treated as a partnership for New York State tax purposes.

For purposes of determining nexus, the \$1 million threshold for deriving receipts is determined by combining the **general** partner's receipts in New York with the partnership's receipts in New York. Also, when a **limited** partner is engaged, directly or indirectly, in the participation or in the domination or control of all or any portion of the business activities or affairs of the partnership, other than a portfolio investment partnership, for purposes of determining nexus, the \$1 million threshold for deriving receipts is determined by combining the limited partner's receipts in New York with the partnership's receipts in New York.

In instances where an LLC is treated as a partnership, other than a portfolio investment partnership, when a corporate member is **not** limited in the participation in the management of the LLC by the LLC's operating agreement, such member's receipts in New York are combined with the receipts in New York of the LLC. Where the LLC operating agreement limits a corporate member's participation in the management of the LLC but such member is engaged, directly or indirectly, in the participation in or domination or control of all or any portion of the business activities or affairs of the LLC, such member's receipts in New York are combined with the receipts in New York of the LLC.

**Example:** *Partnership A has two general partners: Partner B who owns 60% of the partnership and Partner C who owns 40%. Partnership A has \$600,000 of receipts in New York. Separately, Partner B has \$700,000 of receipts in New York and Partner C has \$450,000 of receipts in New York. For purposes of determining nexus only, both partners B and C would be treated as having \$600,000 from the partnership. Combined with their own receipts, both general partners exceed \$1 million in receipts in New York (\$1.3 million for Partner B and \$1.05 million for Partner C). Therefore, both general partners are subject to tax.*

A corporate partner (except for certain foreign corporate limited partners) must compute its tax with respect to its interest in the partnership under either the aggregate or entity method. Under the aggregate method, a corporate partner takes into account its distributive share of receipts, income, gain, loss or deduction, and its proportionate part of assets, liabilities and transactions from the partnership. Under the entity method, a corporate partner is treated as owning an interest in a partnership entity. The interest is considered an intangible asset that constitutes business capital. The aggregate method is the preferred method.

## Qualified subchapter S subsidiary (QSSS)

In situations where the federal QSSS treatment is followed for New York State purposes:

- the QSSS is not considered a subsidiary of the parent corporation;
- the QSSS is ignored as a separate taxable entity, and the assets, liabilities, income, and deductions of the QSSS are included with the assets, liabilities, income, and deductions of the parent for franchise tax purposes;
- for other taxes, such as sales and excise taxes, the QSSS continues to be recognized as a separate corporation.

Where the federal QSSS treatment is **not** followed for New York State purposes, the combined reporting rules must still be applied to determine if either the parent, the QSSS, or both should file as distinct members of a combined group on a Form CT-3-A, *General Business Corporation Combined Franchise Tax Return*.

The filing requirements for a QSSS that is owned by a New York S corporation or a nontaxpayer corporation are outlined below:

- A. **Parent is a New York S corporation** – New York State will follow the federal QSSS treatment. The parent (**with** its QSSS's activity included) files as a New York S corporation on a Form CT-3-S.
- B. **Nontaxpayer parent** – New York State follows the federal QSSS treatment where the QSSS is a New York State taxpayer but the parent is not, if the parent elects to be taxed 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*. The parent and QSSS are taxed as a single New York S corporation, and file Form CT-3-S. If the parent does **not** elect to be a New York S corporation, the QSSS (**without** its parent's activity included) must file as a New York C corporation on a Form CT-3 or, if the combined filing requirements are met with one or more other entities (one of which could be the parent), on a Form CT-3-A. In this case, both the parent and the QSSS, as separate entities, are subject to the combined reporting rules, and if the parent and QSSS are unitary they both file as distinct members of a combined group on the same Form CT-3-A.
- C. **Exception: excluded corporation** – Notwithstanding the above rules, QSSS treatment is not allowed when the parent and QSSS file under different Articles of the Tax Law (or would file under different Articles if both were subject to New York State franchise tax); in this case, each corporation must file as a distinct entity under its applicable Article, subject to the Article 9-A or Article 33 combined reporting rules, as applicable.

### New York State equivalents to federal Schedule K-1

- Form IT-204-IP, *New York Partner's Schedule K-1*, is completed for each partner who is an individual, estate or trust, or partnership required to file under Tax Law Article 22 (Personal Income Tax).
- Form IT-204-CP, *New York Corporate Partner's Schedule K-1*, is completed for each corporate partner that is taxable under Tax Law Article 9-A.

These forms give each partner its distributive share of income, deductions, New York modifications, credits, and other information the partner needs to complete the partner's New York State personal income tax or corporation franchise tax return.

**If you received a complete Form IT-204-CP from your partnership, see Form IT-204-CP-I, *Partner's Instructions for Form IT-204-CP*, before completing your franchise tax return.**

### Other forms you may need to file

**Form CT-6.1, *Termination of Election to be Treated as a New York S Corporation***, must be filed to terminate New York S corporation status.

**Form CT-33-D, *Tax on Premiums Paid or Payable to an Unauthorized Insurer***, must be filed if you purchased or renewed a taxable insurance contract that covers risks located in New York State directly from an insurer not authorized to transact business in New York State. This return must be filed within 60 days following the end of the calendar quarter in which the contract was purchased or renewed. For more information, see Form CT-33-D.

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

You must file Form CT-60 if you are an Article 9-A taxpayer and you have included the activities of any of the following on your return:

- a QSSS;
- a single member LLC; **or**
- a tax-exempt domestic international sales corporation (DISC)

You must also file Form CT-60 if:

- you are a partner in a partnership; **or**
- you have affiliated entities.

**Form CT-186-E, *Telecommunications Tax Return and Utility Services Tax Return***, must be filed by a corporation that provides telecommunication services. The corporation must pay an excise tax on its gross receipts from the sale of telecommunication services under Article 9 section 186-e.

**Form CT-222, *Underpayment of Estimated Tax by a Corporation***, is used 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).

**Form CT-223, *Innovation Hot Spot Deduction***, must be filed if you are a corporation that is a qualified entity located both inside and outside a hot spot, or you are a corporate partner of a qualified entity, or both.

**Form CT-225, *New York State Modifications***, must be filed if you are entering an amount on Form CT-34-SH, lines 3 and/or 5.

**Form CT-399, *Depreciation Adjustment Schedule***, must be filed to compute the allowable New York State depreciation deduction if you claim: 1) the federal accelerated cost recovery system (ACRS) depreciation or modified accelerated cost recovery system (MACRS) deduction for certain property placed in service after December 31, 1980, or 2) a 30%/50%/100% federal special depreciation deduction for certain property placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002. This form also contains schedules for determining a New York State gain or loss on the disposition of such properties.

**Form CT-400, *Estimated Tax for Corporations***, must be filed if your New York State franchise tax liability can reasonably be expected to exceed \$1,000.

Most corporations are required to electronically file this form either using tax software or online, after setting up an online services account, through the department's website.

**Form DTF-664, *Tax Shelter Disclosure for Material Advisors***, is used to assist taxpayers and persons in complying with New York State's disclosure requirements.

**Form DTF-686, *Tax Shelter Reportable Transactions Attachment to New York State Return***, is used to assist taxpayers and persons in complying with New York State's disclosure requirements.

**Form IT-2658, *Report of Estimated Tax for Nonresident Individual Partners and Shareholders***, must be filed by a New York S corporation that is required to pay estimated tax on behalf of a shareholder who is a nonresident individual.

**Form IT-2659, *Estimated Tax Penalties for Partnerships and New York S Corporations***, is used to determine if estimated tax has been underpaid on behalf of a shareholder who is a nonresident individual. Form IT-2659 is also used to compute the penalty if the estimated tax has been underpaid.

You may be subject to other business taxes such as:

- Sales and compensating use tax
- Employer's withholding tax
- Estimated taxes for corporations and personal income taxes
- Motor fuel taxes
- Highway use taxes
- Tax on sales or consumption of petroleum

See *Need help?* if you would like more information.

Tax Law, Article 36, section 1700 authorizes the Tax Department to waive civil and criminal penalties for taxpayers who disclose and pay overdue taxes. Under the Tax Department's Voluntary Disclosure and Compliance Program, eligible taxpayers who owe back taxes can avoid monetary penalties and possible criminal charges by:

- telling the Tax Department what taxes they owe;
- paying those taxes; and



- entering an agreement to pay all future taxes.

It is easy to apply. Visit our website (see *Need help?*). Just follow the prompts, answer a few questions, and submit your application electronically.

## When to file

File your return within 2½ months after the end of your reporting period. If you are reporting for the calendar year, your return is due on or before March 15. If your filing date falls on a Saturday, Sunday, or legal holiday, file your return on or before the next business day.

## Extension if you cannot meet the filing deadline

If you cannot meet the filing deadline, file Form CT-5.4, *Request for Six-Month Extension to File New York S Corporation Franchise Tax Return*, and pay the properly estimated franchise tax on or before the original due date of the return. **Additional extension of time to file Form CT-3-S will not be granted beyond six months.**

Most corporations are required to electronically file their extension request either using tax software or online, after setting up an online services account, through the department's website.

## Where to file

Form CT-3-S – Use the following address:

**NYS CORPORATION TAX  
PO BOX 15182  
ALBANY NY 12212-5182**

### Private delivery services

See Publication 55, *Designated Private Delivery Services*.

## Penalties and interest

### If you pay after the due date

If you do not pay the tax due on or before the original due date, you must pay interest on the amount of underpayment from the original due date (**without** regard to an extension of time for filing) of the return to the date the tax is paid. Exclude from the interest computation any amount representing the first installment of estimated tax for next period. Interest is always due, without any exceptions, on any underpayment of tax. **An extension of time for filing does not extend the due date for payment of tax.**

### If you file and pay after the due date

Compute additional charges for late filing and late payment on the amount of tax minus any payment made on or before the due date (**with** regard to any extension of time for filing). Exclude from the penalty computation any amount representing the first installment of estimated tax for the next period.

- 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 a total of 25% (§1085(a)(1)(A)).
- If you do not file a return within 60 days of the due date, the additional charge in item A cannot be less than the smaller of \$100 or 100% of the amount required to be shown as tax (§1085(a)(1)(B)).
- If you do not pay the tax shown on a return, add to the tax ½% per month, up to a total of 25% (§1085(a)(2)).
- 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 (§1085(a)).

If you think you are not liable for these additional charges, attach a statement to the return explaining the delay in filing, payment, or both (§1085).

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

## If you understate your tax

If the tax you report is understated by 10% or \$5,000, whichever is greater, you will have to pay a penalty of 10% of the amount of understated tax. You can reduce the amount on which you pay penalty by subtracting any item for which there is or was substantial authority for the way you treated it, **or** there is adequate disclosure on the return or in an attached statement (§1085(k)).

## If you underpay your estimated tax

If you can reasonably expect your New York State franchise tax liability to exceed \$1,000, you must make payments of estimated tax. A penalty will be imposed if you fail to file a declaration of estimated tax or fail to pay the entire installment payment of estimated tax due. For complete details, see Form CT-222.

## If you fail to pay estimated tax on behalf of a shareholder

If the New York S corporation is required to pay estimated tax and fails to pay estimated tax on behalf of a shareholder, a penalty of \$50 per shareholder for each failure to pay may be imposed. The penalty may be waived if it is shown that the failure is due to reasonable cause and not due to willful neglect.

## If you underpay estimated tax on behalf of a shareholder

A New York S corporation may be subject to the underpayment of estimated tax penalty. For complete details, see Form IT-2659.

## If you fail to provide shareholder information

If you do not file Form CT-3-S on time, or you fail to provide the shareholder information required (all items of income, loss, deduction, and other pertinent information), you will have to pay a penalty. The penalty is \$50 per shareholder per month or fraction of a month, up to a total of \$250 per shareholder (Article 22 section 685(h)(2)). You will also have to pay an additional penalty of \$50 for each shareholder whose social security number you do not show (§685(k)). All shareholders of the S corporation during any part of the tax year must be counted. These penalties may be waived if it is shown that the failure is due to reasonable cause and not due to willful neglect.

## Other penalties

Strong civil and criminal penalties may be imposed for negligence or fraud.

## Is this an amended return?

If you are filing an amended return for any purpose, mark an **X** in the *Amended return* box on page 1 of the return.

If you file an amended federal return, you must file an amended New York State return within 90 days thereafter.

You **must** file using the correct year's return for the tax year being amended. Do **not** use the most current year's return if the current year is not the year being amended. If you file on the wrong year's return, it may cause the amended return to be rejected, or may cause a delay in receiving any tax benefits claimed.

**For amended returns based on changes to federal taxable income (FTI) –** If your FTI has been changed or corrected by a final determination of the Commissioner of Internal Revenue, or by renegotiation of a contract or subcontract with the United States, you must file an amended return reflecting the change to FTI within 90 days of the final federal determination (as final determination is described under the regulations of the Commissioner of Taxation and Finance).

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*. Be sure to use the tax return for the year being amended.

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. Every shareholder of the electing New York S corporation must file an amended return on a designated New York State individual, estate, or trust return.

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 to federal taxable income (FTI)*). For additional limitations on credits or refunds, see §1087.

## Filing your final return

Mark an **X** in the *Final return* box on page 1 of the return if the corporation is a:

- domestic corporation that ceased doing business, employing capital, owning or leasing property, or deriving receipts from activity, in New York State during the tax year and wishes to dissolve; or
- foreign corporation that is no longer subject to the franchise tax in New York State.

Do not mark an **X** in the *Final return* box if you are only changing the type of return that you file (for example, from Form CT-3-S to CT-3).

Do not mark an **X** in the *Final return* box in the case of a merger or consolidation.

Include the full profit from any installment sale made in your final tax year in your final return. Also include in your final return any remaining profit not yet received from a prior year's installment sale.

For information on voluntary dissolution and surrender of authority, see *Instructions for voluntary dissolution of a New York business corporation (TR-125)*, and *Instructions for surrender of authority by foreign business corporation (TR-199)*, on our website (see *Need help?*).

## New York S corporation termination year

The New York S election can terminate on a day other than the first day of the tax year, whether or not the federal S election terminates at the same time. In either case, the tax year is divided into two tax periods (an S short year and a C short year). The corporation must file Form CT-3-S for the S short year. For the C short year, the corporation must file Form CT-3. The due date of the S short year return is the same as the New York C short year return.

When an IRC section 338(h)(10) election is made for a target corporation that is a New York S corporation, the target corporation must file two short period reports. When filing the second short period report, the federal taxable income (FTI) of the new target is the starting point for computing entire net income (ENI).

If the federal and New York S elections terminate at the same time, ENI assigned to Form CT-3 for the C short year is determined using the same method of accounting as used for federal income tax purposes; that is, daily pro rata allocation under IRC section 1362(e)(2) or normal tax accounting rules under IRC section 1362(e)(3).

If the federal S election continues but the New York S election terminates, use normal tax accounting rules under IRC section 1362(e)(3) if either of the following applies:

- all persons who are shareholders in the corporation at any time during the New York S short year and all persons who are shareholders in the corporation on the first day of the New York C short year consent to such election; **or**
- there is a sale or exchange of 50% or more of the stock in the corporation during the year.

Otherwise, use the daily pro rata allocation method under IRC section 1362(e)(2).

To indicate which method of accounting the New York S corporation elected for the New York S short year and subsequent New York C short year, mark an **X** in the appropriate line H box on Form CT-3-S, page 1.

The total tax for the New York S short year and New York C short year may not be less than the fixed dollar minimum tax determined as if the corporation were a C corporation for the entire year.

## Reporting period

Use this tax return for calendar year 2017 and fiscal years that begin in 2017 and end in 2018.

You can also use the 2017 return if:

- you have a tax year of less than 12 months that begins and ends in 2018, and
- the 2018 return is not yet available at the time you are required to file the return.

In this case you must show your 2018 tax year on the 2017 return and take into account any tax law changes that are effective for tax years beginning after December 31, 2017.

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

**Taxpayers using a 52-53 week year** – A taxpayer who reports on the basis of a 52-53 week accounting period for federal income tax purposes may report on the same basis for Article 9-A purposes. If a 52-53 week accounting period begins within seven days from the first day of any calendar month, the tax year is deemed to begin on the first day of that calendar month. If a 52-53 week accounting period ends within seven days from the last day of any calendar month, the tax period will be deemed to end on the last day of the calendar month.

## Overview of corporation franchise tax

New York S corporations taxable under Article 9-A are required to pay the fixed dollar minimum tax imposed under §210.1(d).

### Fixed dollar minimum tax schedule

A domestic corporation that is no longer doing business, employing capital, owning or leasing property, or deriving receipts from activity, in New York State is exempt from the fixed dollar minimum tax for years following its final tax year and is no longer required to file a franchise tax return provided it meets the requirements listed in §209.8.

**Fixed dollar minimum tax for all New York S corporations** (except qualified New York manufacturers or qualified emerging technology companies (QETCs))

New York receipts of:	Fixed dollar minimum tax equals:
Not more than \$100,000	\$ 25
More than \$100,000 but not over \$250,000	\$ 50
More than \$250,000 but not over \$500,000	\$ 175
More than \$500,000 but not over \$1,000,000	\$ 300
More than \$1,000,000 but not over \$5,000,000	\$ 1,000
More than \$5,000,000 but not over \$25,000,000	\$ 3,000
Over \$25,000,000	\$ 4,500

### Fixed dollar minimum for New York S corporations that are qualified New York manufacturers or QETCs

New York receipts of:	Fixed dollar minimum tax equals:
Not more than \$100,000	\$ 21
More than \$100,000 but not over \$250,000	\$ 42
More than \$250,000 but not over \$500,000	\$ 148
More than \$500,000 but not over \$1,000,000	\$ 254
More than \$1,000,000 but not over \$5,000,000	\$ 846
More than \$5,000,000 but not over \$25,000,000	\$ 2,538
Over \$25,000,000	\$ 3,807

If a short period (a tax period of less than 12 months), compute the New York receipts by dividing the amount of the receipts by the total number of months in the short period and multiplying the result by 12.

The fixed dollar minimum tax may be reduced for short periods as follows:

Period	Reduction
Not more than six months .....	50%
More than six months but not more than nine months .....	25%
Over nine months .....	none

To avoid an erroneous assessment or a delay of your refund, you must enter an amount on line 22, *New York receipts* on Form CT-3-S. If you do not have New York receipts, enter 0 on this line. Failure to make an entry on this line may result in an assessment of tax or a reduction of your refund/credit.

### Computation of tax for corporate partners

A taxpayer that is subject to tax under Article 9-A and is a partner in a partnership (a corporate partner) computes its tax for its interest in the partnership using either the aggregate method or entity method, whichever applies. (For exception, see *Election by a foreign corporate limited partner*.)

**Aggregate method** – Under the aggregate method, a corporate partner is viewed as having an undivided interest in the partnership's assets, liabilities, and items of receipts, income, gain, loss and deduction. The partner is treated as participating in the partnership's transactions and activities.

**Entity method** – Under the entity method, a partnership is treated as a separate entity and a corporate partner is treated as owning an interest in the partnership entity. The partner's interest is an intangible asset that is classified as business capital.

### Corporate partners required to file under the aggregate method

A corporate partner receiving a complete Form IT-204-CP, *New York Corporate Partner's Schedule K-1*, must file using the aggregate method. In addition, a corporate partner must file using the aggregate method if the corporate partner has access to the information necessary to compute its tax using the aggregate method. A corporate partner is presumed to have access to the information and therefore is required to file using the aggregate method if it meets **one or more** of the following conditions:

- it is conducting a unitary business with the partnership;
- it is a general partner of the partnership or is a managing member of an LLC which is treated as a partnership for federal income tax purposes;
- it has a 5% or more interest in the partnership;
- it has reported information from the partnership in a prior tax year using the aggregate method;
- its partnership interest constitutes more than 50% of its total assets;
- its basis in its interest in the partnership determined under IRC section 705 on the last day of the partnership year that ends within or with the taxpayer's tax year is more than \$5,000,000; or
- any member of its affiliated group has the information necessary to perform such computation.

A corporate partner that does not receive a complete Form IT-204-CP may file using the entity method **only** if it does **not** meet any of the conditions listed above **and** does not have access (and will not have access within the time period allowed for filing a return with regard to all extensions of time to file) to the information necessary to compute its tax using the aggregate method and certifies these facts to the commissioner.

**Computation of tax under the aggregate method** – The taxpayer's **distributive share** (see IRC section 704) of each partnership item of receipts, income, gain, loss, and deduction and the taxpayer's **proportionate part** of each partnership asset, liability, and partnership activity are included in the computation of the taxpayer's fixed dollar minimum tax. These items have the same source and character in the hands of the partner for Article 9-A purposes that the items have for the partner for federal income tax purposes.

**Election by a foreign corporate limited partner** – A foreign corporation that is a limited partner in, and that is engaged, directly or indirectly, in the participation or in the domination or control of all or any portion of the business activities of one or more limited partnerships where such partnership(s) are doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State, is subject to tax under Article 9-A. When this is the **sole** reason the foreign corporation is taxable under Article 9-A, and such corporation does **not** file on a combined return, such corporation may elect to compute its tax by taking into account only its distributive share of each partnership item of receipts, income, gain, loss, and deduction (including any modifications), and its proportionate part of each asset, liability, and partnership activity of the limited partnership (the separate accounting election).

If a partnership is required to file a New York State partnership return, but is **not** doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State (when, for example, the partnership has a New York State partnership return filing requirement only because it has a New York State resident partner that is an individual, estate, or trust), then having an interest in that partnership would not subject a foreign corporate limited partner to tax under Article 9-A, and the separate accounting election would **not** be applicable with respect to that partnership.

If the taxpayer meets the criteria to make the election and does not have access to the information necessary to do the computation, the taxpayer may treat its distributive share of the partnership's items of income, gain, loss, and deduction as business income and its interest in the partnership as business capital and may allocate that business income and capital entirely to New York State.

This election may not be made if the limited partnership and corporate group are engaged in a unitary business, wherever conducted.

*Corporate group* means the corporate limited partner itself or, if it is a member of an affiliated group, the corporate limited partner and all other members of such affiliated group.

*Affiliated group* has the same meaning as such term is defined in IRC section 1504 without regard to the exclusions provided for in section 1504(b). However, the term *common parent corporation* is deemed to mean any person as defined in IRC section 7701(a)(1).

**How to make the separate accounting election** – The separate accounting election is made by the foreign corporate limited partner at the time of filing Form CT-3-S, and is not revocable. **For its tax years beginning on or after January 1, 2017**, a foreign corporation makes the separate accounting election, with respect to a limited partnership, on Form CT-60, *Affiliated Entity Information Schedule*, in Schedule B, Part 3. Form CT-60 must be signed and filed with Form CT-3-S.

**How to complete Form CT-3-S when the separate accounting election is made** – If you file Form CT-3-S and you have made the separate accounting election for a limited partnership that is doing business, employing capital, owning or leasing property, maintaining an office, or deriving receipts from activity, in New York State, **do not** report any of your **own** items of receipts, net income, net gains, and other items on Form CT-3-S when computing your fixed dollar minimum tax base and business apportionment factor. Instead, compute such tax base and business apportionment factor by using **only your distributive share or proportionate part** of receipts, net income, net gains, activities and other items of such limited partnership.

In this situation, **only your distributive share** of receipts, net income, net gains, and other items (including all nonseparately computed income and loss, and all separately stated items of income and loss), flowing through to you from such limited partnership, is reported on your Form CT-3-S, Part 3, and is used to compute your business apportionment factor and to compute your New York State receipts amount used to determine your fixed dollar minimum tax on Form CT-3-S, Part 2.

When completing Form CT-3-S, Part 3, include **all** receipts, net income, net gains, and other items flowing through to you from such limited partnership (including nonseparately computed income and loss, and separately stated items of income and loss), even if there are amounts that would have qualified as investment income or other exempt income for an Article 9-A, New York C corporation filer. All such receipts, net income, net gains, and other items are included in the business



apportionment fraction in accordance with **Article 9-A** sourcing rules set forth in Tax Law §210-A and the applicable regulations.

When the separate accounting election is in effect, do not take into account any gain or loss that is recognized from the sale of the interest in the limited partnership for which the election was made.

**When the separate accounting election is in effect and you do not have access to all of the necessary information to properly complete Form CT-3-S** – If you have made the separate accounting election with respect to a limited partnership, and you do not have the information necessary to compute your fixed dollar minimum tax base and business apportionment factor as discussed above, you must report a business apportionment factor of 100% by reporting on line 54 of Form CT-3-S, Part 3, a New York State receipts amount (column A) **equal to** your distributive share of such limited partnership's Everywhere receipts amount (column B). You would then compute your fixed dollar minimum tax on Form CT-3-S, Part 2, using that New York State receipts amount.

**When the separate accounting election is in effect for multiple limited partnership interests** – Complete the front page of Form CT-3-S, leaving line C blank and making sure to check the box on line P, and complete Part 1 (*Federal Form 1120S information*) on page 2. Then you must complete Part 2 (*Computation of tax*) per the following instructions.

An **individual** pro forma Form CT-3-S, Part 3, must be completed for **each** limited partnership for which the election was made. These lines must be completed by using **only** your **distributive share** of the limited partnership's receipts, net income, net gains, and other items, that must be included in the numerator and denominator of the business apportionment fraction in accordance with Tax Law §210-A and the applicable regulations.

**Sum all** pro forma Form CT-3-S, Part 3, line 54, column A amounts. Enter the result on Part 2, line 22, of the Form CT-3-S **that will be filed with New York State**. Then complete the remaining lines of Part 2, and all the applicable lines on page 6, of the Form CT-3-S that will be filed with New York State. The corporation must report to each shareholder the business apportionment factor computed for each limited partnership for which the separate accounting election is in effect, as shown on the pro forma Forms CT-3-S, Part 3, line 55.

Make no entries on Part 3 (*Computation of business apportionment factor*) of the Form CT-3-S that will be filed with New York State.

File all pro forma Forms CT-3-S with the Form CT-3-S you file with New York State. The corporation must report to each shareholder the business apportionment factor computed for each limited partnership for which the separate accounting election is in effect, as shown on the pro forma Forms CT-3-S, Part 3, line 55.

## How to fill out your tax return

### Important identifying information

For us to process your corporation tax forms, it is important that we have the necessary identifying information. Include your employer identification number (EIN) and file number on each corporation tax form filed and keep a record of that information for future use.

If you use a paid preparer or accounting firm, make sure they use your complete and accurate identifying information when completing all forms prepared for you.

### 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 for Form CT-3-S

**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**.

**Line J** – If you are claiming qualified New York manufacturer or QETC status for purposes of a lower fixed dollar minimum tax, mark an **X** in the applicable box.

- A corporation qualifies as a manufacturer if during the tax year the taxpayer is **principally engaged** in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing. A taxpayer is *principally engaged* in the foregoing activities if, during the tax year, more than 50% of its gross receipts are derived from receipts for the sale of goods produced by these activities.

The generation of and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not considered qualifying activities for purposes of the principally engaged test.

In addition, a taxpayer that does not satisfy the principally engaged test may be a qualified New York manufacturer if the taxpayer employs during the tax year at least 2,500 employees in manufacturing in New York and the taxpayer has property in the state used in manufacturing, the adjusted basis of which for federal income tax purposes at the close of the tax year is at least \$100 million.

- A *qualified New York manufacturer* is a manufacturer that has property in New York State that is principally used by the taxpayer in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, and either:
  - the adjusted basis of the property for federal income tax purposes is at least \$1 million at the close of the tax year; or
  - all of its real and personal property is located in New York State.
- A *QETC* is a qualified emerging technology company as defined under Public Authorities Law section 3102-e(1)c, without regard to the \$10 million limitation.

**Line O** – Federal Public Law (P.L. 110-343) added section 457A to the IRC to address the taxation of certain nonqualified deferred compensation. For nonqualified deferred compensation to which IRC section 457A does not apply due solely to the fact that the amount deferred is attributable to services performed before January 1, 2009, P.L. 110-343, Division C, §801(d)(2) requires such deferrals, to the extent such amounts are not includable in gross income in a year beginning before January 1, 2018, to be included in gross income in the later of: a) the last tax year beginning before January 1, 2018; or b) the tax year in which there is no substantial risk of forfeiture of the rights to such compensation (determined in the same manner as determined for purposes of IRC section 457A).

If the S corporation was required to report any nonqualified deferred compensation on its 2017 federal tax return, as required under P.L. 110-343, Division C, §801(d)(2), or if any such amounts flowed through to the S corporation from another pass-through entity, mark an **X** in the **Yes** box; otherwise mark an **X** in the **No** box. The S corporation must also report this information to each of its shareholders.

## Part 2 – Computation of tax

**To avoid an erroneous assessment or a delay of your refund**, you must enter an amount on line 22, *New York receipts*. If you do not have receipts, enter **0** on line 22.

**Line 22 – New York receipts** – Include the total receipts included in the numerator of the apportionment factor from Part 3, line 54, column A (New York State). For a short period, annualize such receipts by dividing by the number of months in the short period and multiplying the result by 12.

**Line 23 – Fixed dollar minimum tax** – Determined by your New York receipts. See *Fixed dollar minimum tax schedule* to determine the applicable fixed dollar minimum tax. Qualified New York manufacturers, and QETCs should also mark an **X** in the applicable box on line J. The fixed dollar minimum tax may be reduced for short periods. See instructions under the fixed dollar minimum tax tables for the appropriate reduction for short periods.

**Line 24** – If you claimed any New York State tax credits for any tax year prior to becoming a New York S corporation, and the Tax Law requires recapture of some or all of the credit, under stated conditions, then the tax credit must be recaptured in the year required even when the year is a New York S year. Use the appropriate credit form to compute the recaptured tax credits.

**Line 26** – Enter the amount of nonrefundable special additional mortgage recording tax credit from Form CT-43, *Claim for Special Additional Mortgage Recording Tax Credit*, line 9, and any deferred nonrefundable special additional mortgage recording tax credit from Form CT-501, *Temporary Deferral Nonrefundable Payout Credit*, line 7. The special additional mortgage recording tax credit cannot reduce your tax liability below the amount of your fixed dollar minimum tax.

**Composition of prepayments** – If additional space is necessary, enter **see attached** in this section and attach all relevant prepayment information.

**Line 37** – Include overpayment credited from prior years. You may also include, from last year's return, any amount of refundable special additional mortgage recording tax credit you chose to be credited as an overpayment.

**Line 40** – Form CT-222 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 §1085(d).

**Lines 41 and 42** – If you are not filing this return on time, you must pay interest and additional charges. See *Penalties and interest*.

**Voluntary gifts/contributions** – If you want to contribute to *Return a Gift to Wildlife*, *Breast Cancer Research and Education Fund*, *Prostate and Testicular Cancer Research and Education Fund*, *National September 11 Memorial & Museum at the World Trade Center*, *Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund*, *Veterans Remembrance and Cemetery Maintenance and Operation Fund*, *Women's Cancers Education and Prevention Fund*, *Veterans' Home Assistance Fund*, or all eight, enter the amount(s) on the appropriate line(s). The amount you give must be in whole dollars. Your gift will increase your payment or reduce your overpayment. You cannot change the amount of your gift after you file your return.

**Line 44a – Return a Gift to Wildlife** – Your contribution will benefit New York's fish, wildlife, and marine resources, and you can receive a free issue of *Conservationist* magazine. Call 1 800 678-6399 for your free sample issue. For more information about New York State's environmental conservation programs go to [www.dec.ny.gov](http://www.dec.ny.gov). For information about *Conservationist*, go to [www.TheConservationist.org](http://www.TheConservationist.org).

**Line 44b – Breast Cancer Research and Education Fund** – Your contribution will support ground-breaking research and education in New York State to prevent, treat, and cure breast cancer. Help make breast cancer a disease of the past. For more information, go to [www.wadsworth.org/extramural/breastcancer](http://www.wadsworth.org/extramural/breastcancer). New York State will match your contribution to the Breast Cancer Research and Education Fund, dollar for dollar.

**Line 44c – Prostate and Testicular Cancer Research and Education Fund** – Your contribution will advance prostate and testicular cancer research, support programs and education projects in New York State. New York State will match contributions to the Prostate and Testicular Cancer Research and Education Fund, dollar for dollar.

**Line 44d – National September 11 Memorial & Museum at the World Trade Center (9/11 Memorial)** – Your contribution will help create and sustain the National September 11 Memorial & Museum which will commemorate and honor the thousands of people who died in the attacks of September 11, 2001, and February 26, 1993. The Memorial and Museum will recognize the endurance of those who

survived, the courage of those who risked their lives to save others, and the compassion of all who supported us in our darkest hours. Help New York State, the nation, and the world remember by making a contribution. For more information, go to [www.911memorial.org](http://www.911memorial.org).

**Line 44e – Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund** – Contributions to this fund will help recruit and retain the men and women who make up our volunteer fire and volunteer emergency medical services units. Volunteer firefighters and volunteer emergency services workers are crucial to the effective operation of a municipality and for the safety and well-being of the citizens of this state. Volunteer firefighters and volunteer emergency medical services workers provide invaluable benefits to their local communities. Despite their importance, the number of volunteer firefighters and volunteer emergency services workers has declined significantly over the past few years. For more information, go to [www.dhSES.ny.gov/ofpc](http://www.dhSES.ny.gov/ofpc) or contact the State Office of Fire Prevention and Control at (518) 474-6746.

**Line 44f – Veterans Remembrance and Cemetery Maintenance and Operation Fund (Veterans Remembrance)** – Your contribution will help provide for the perpetual care of state veterans cemeteries. Contributions will be used for the purchase, leasing, and improvement of land for veterans cemeteries, the purchase and leasing of equipment and other materials needed for the maintenance of cemeteries, and other associated costs.

**Line 44g – Women's Cancers Education and Prevention Fund** – Contributions to this fund will be used for grants for women's cancers education and prevention programs that have been approved by the New York State Department of Health. High risk women's cancers include cervical, endometrial, gestational trophoblastic tumors, ovarian, uterine sarcoma, vaginal, and vulvar cancers. Increased education and early detection can help women become more aware of symptoms and seek timely medical attention. For more information, go to [www.health.ny.gov/diseases/cancer/](http://www.health.ny.gov/diseases/cancer/).

**Line 44h – Veterans' Home Assistance Fund (Veterans' Homes)** – Contributions to this fund will be used for the care and maintenance of certain veterans' homes in New York. Monies on deposit in the fund will be disbursed equally each fiscal year to the following facilities: The State Home for Veterans and Their Dependents at Oxford; The State Home for Veterans in the City of New York (*St. Albans*); The State Home for Veterans at Batavia; the State Home for Veterans at Montrose; and The Long Island State Veterans Home at Stony Brook University. Either the Commissioner of Health or the Commissioner of Education shall approve and certify expenditures from the fund.

**Line 47 – Unrequested refunds to be credited forward**  
If you have overpaid your tax, you will not automatically receive a refund. Instead, we will credit your overpayment to the following tax year unless you indicate a refund on line 49. We will notify you that the overpayment has been credited and explain how to request a refund of the credited amount. If you choose to request a refund of such credited amount, you must claim a refund of such overpayment prior to the original due date of the following year's return.

**Lines 48 and 49** – You may apply an overpayment as a credit to your next state franchise tax period or you may have it refunded. Indicate on lines 48 and 49 the amount of overpayment you wish to be credited or refunded.

**Line 50** – Enter the amount of refundable special additional mortgage recording tax credit from Form CT-43, *Claim for Special Additional Mortgage Recording Tax Credit*, line 13. Do not include on this line any amount of special additional mortgage recording tax credit shown on Form CT-43, line 9, or Form CT-501, line 7.

## Part 3 – Computation of business apportionment factor

Include all receipts, net income (not less than zero), net gains (not less than zero), and other items you reported on your federal Form 1120S, Schedule K (including nonseparately computed income and loss, and separately stated items of income and loss), even if there are amounts that would have qualified as investment income or other exempt income for an Article 9-A New York C corporation filer. All such receipts, net income, net gains, and other items are included in the apportionment fraction under the rules in §210-A and the applicable regulations.



**Note:** Generally, receipts from services are reported on line 52 (*Receipts from other services/activities not specified*).

You must complete the computation of the business apportionment factor section, even if your business allocation percentage is 100%, to report the computation of the New York State receipts used to determine your fixed dollar minimum tax.

Nonresident and part-year resident shareholders of a New York S corporation need the business apportionment factor to determine their New York State source income pursuant to §632(a)(2) and TSB-M-15(7)C, (6)l, *Impact of New York State Corporate Tax Reform on New York S Corporations and their Nonresident and Part-Year Resident Shareholders*.

**Columns A and B – New York State (NYS)** (column A) amounts are determined per the specific line instructions. *Everywhere* (EW) (column B) amounts should be 100% of the amount of the item being reported on a line unless otherwise specified. If only one line of Part 3 applies to your business, you must still complete both columns for that line. Skip a line only if **both** the numerator (column A) and the denominator (column B) are zero.

Taxpayers that have no receipts required to be included in the denominator of the apportionment factor must mark the box at the beginning of Form CT-3-S, Part 3, *Computation of business apportionment factor*. Examples include taxpayers that own property in New York State but have no FTI, ECI, or receipts from the rental, sale, or lease of such property amounts, or taxpayers whose only income is dividends and net gains from the sales of stock or sales of partnership interests when the fixed percentage election is not made. If you have any other Everywhere receipts, this box does **not** apply. If you mark the box, you must attach a statement explaining why you have no receipts required to be included in the business apportionment factor.

### Section 210-A.2 – Sales of tangible personal property, electricity and net gains from real property

**Line 1** – Receipts from the sale of tangible personal property are included in the New York State column when shipments are made to points in the state, or the destination of the property is a point in the state. Receipts from sales of tangible personal property and electricity that are traded as commodities, as defined in IRC section 475, are included on line 27, in accordance with §210-A.5(a)(2)(l).

**Line 2** – Receipts from the sale of electricity are included in the New York State column when delivered to points in the state. Receipts from sales of tangible personal property and electricity that are traded as commodities, as defined in IRC section 475, are included on line 27, in accordance with §210-A.5(a)(2)(l).

**Line 3** – For the New York State column, net the gains from the sales of real property located within the state against the losses from the sales of real property located within the state and enter the result (but not less than zero). For the Everywhere column, net the gains from the sales of real property located everywhere against the losses from the sales of real property located everywhere and enter the result (but not less than zero).

### Section 210-A.3 – Rentals of real and tangible personal property, royalties, and rights for certain closed-circuit and cable TV transmissions

**Line 4** – Receipts from rentals of real and tangible personal property located within the state are included in the New York State column.

**Line 5** – Receipts of royalties from the use of patents, copyrights, trademarks, and similar intangible personal property within the state are included in the New York State column.

**Line 6** – Receipts from the sales of rights for closed-circuit and cable television transmissions of an event (other than events occurring on a regularly scheduled basis) taking place within the state as a result of the rendition of services by employees of the corporation, as athletes, entertainers, or performing artists, are entered in the New York column to the extent that those receipts are attributable to such transmissions received or exhibited within the state.

### Section 210-A.4 – Receipts from sale of, license to use, or granting of remote access to digital products

**Line 7** – For Article 9-A apportionment purposes, the term *digital product* means any property or service, or combination thereof, of whatever nature delivered to the purchaser through the use of wire, cable, fiber-optic, laser, microwave, radio wave, satellite or similar successor media, or any combination of these. Digital product includes, but is not limited to, an audio work, audiovisual work, visual work, book or literary work, graphic work, game, information or entertainment service, and storage of digital products. In addition, it includes computer software by whatever means delivered. The term *delivered* to includes furnished or provided to or accessed by. A digital product does **not** include legal, medical, accounting, architectural, research, analytical, engineering or consulting services.

If the receipt for a digital product is comprised of a combination of digital property and services, it cannot be divided into separate components and is considered to be one receipt, regardless of whether it is separately stated for billing purposes. The entire receipt must be allocated according to a hierarchy (see below).

Receipts from the sale of, license to use, or granting of remote access to digital products within the state, are sourced according to the following hierarchy:

- 1) The customer's primary use location of the digital product.
- 2) The location where the digital product is received by the customer or is received by a person designated for receipt by the customer.
- 3) The apportionment fraction for the preceding tax year for such digital product.
- 4) The apportionment fraction in the current tax year for those digital products that can be sourced using the methods in items 1 and 2.

**Note:** Item 3 does not apply to your first tax period that begins on or after January 1, 2015, for which you are subject to Article 9-A.

The taxpayer must exercise due diligence under each method before rejecting it and proceeding to the next method in the hierarchy, and must base its determination on information known to the taxpayer or information that would be known to the taxpayer upon reasonable inquiry.

### Section 210-A.5(a)1 – Qualified financial instruments (QFIs), the 8% fixed percentage method

**Line 8** – A *qualified financial instrument (QFI)* means a financial instrument of these types that is marked to market in the tax year by the taxpayer under IRC section 475 or 1256: Type A (reported on lines 11 and 12); Type B (reported on lines 13 – 18); Type C (reported on lines 19 – 21); Type D (reported on lines 22 – 24); Type I (reported on line 27); Type(s) H (reported on lines 29 and 30); and Type(s) G (also reported on line 30).

If the taxpayer has in the tax year marked to market a financial instrument within types A, B, C, D, and I, then **any** financial instrument **within that same type** that has **not** been marked to market by the taxpayer under IRC section 475 or 1256 **is also** a QFI in the tax year. When a financial instrument within either types H or G is marked to market, **not** all financial instruments within type H or G, respectively, are QFIs, as explained further below.

When reporting interest from "other" financial instruments on line 29, and net gains and other income from "other" financial instruments on line 30, marking to market one "other" financial instrument does **not** necessarily cause all "other" financial instruments to be QFIs. It is an instrument by instrument determination as to when "other" financial instruments are of the same type. Thus, you may have more than one **type** of "other" financial instruments reported on either of lines 29 and 30, and some types may be QFI while other types may not be QFI.

Line 30 can be used to report financial instruments under clause **G** (dividends and net gains from sales of stock or partnership interests) or clause **H** ("other" financial instruments) of §210-A.5(a)(2), or both. Line 30 will be used to report financial instruments under clause (G) **only** when the financial instrument is a QFI **and** the 8% fixed percentage method has been elected. When **any** stock that is business capital has been marked to market, **all** stock that is business capital is a QFI (for exception, see next paragraph immediately following).

When **any** partnership interest in a widely held or publicly traded partnership has been marked to market, **all** partnership interests in a widely held or publicly traded partnership are QFIs. However, marking to market stock that is business capital does **not** cause partnership interests in a widely held or publicly traded partnership that are **not** marked to market to be QFIs. The same is true in regard to the marking to market of partnership interests in a widely held or publicly traded partnership in respect to stock that is business capital. When a financial instrument falling under clause (H) has been marked to market, it does **not** necessarily cause all financial instruments under clause (H) to be QFIs. It is an instrument by instrument determination as to when instruments under clause (H) are of the same **type**. Thus, you may have more than one type of "other" financial instruments under clause (H) to report on line 30. Marking to market a financial instrument of the type under clause (G) does **not** cause financial instruments of the type under clause (H) to be QFIs. The same is true in regard to clause (H) in respect to clause (G).

If the **only** loans that are marked to market under IRC section 475 or 1256 are loans secured by real property, then **no** loans are QFIs. Stock that is investment capital shall **not** be a QFI. A stock that generates other exempt income as defined in §208.6-a, and that is not, **itself**, marked to market under IRC section 475 or 1256, is **not** a QFI with respect to such other exempt income only, even if other stocks are marked to market in the tax year.

Taxpayers may elect to use the 8% *fixed percentage method* to apportion business receipts from QFIs. This election is irrevocable, applies to **all** QFIs, and must be made on an annual basis on the original timely filed return (determined with regard to valid extensions of time for filing) by marking an **X** in the box on line 8. If you do not mark the box but still apportion QFI receipts by 8%, you will be considered to have made the election and to have marked the box.

**Regardless** of whether or not the 8% fixed percentage method is elected, when **any** financial instrument has been marked to market that is described on:

- a) **either** line 11 or 12, then the boxes on **both** lines 11 and 12 must be marked, and all financial instruments reported on such lines are QFIs (Type A financial instruments);
- b) **any** of lines 13 through 18, then the box above line 13 must be marked, and all financial instruments reported on such lines are QFIs (Type B financial instruments);
- c) **any** of lines 19 through 21, then the box above line 19 must be marked, and all financial instruments reported on such lines are QFIs (Type C financial instruments);
- d) **any** of lines 22 through 24, then the box above line 22 must be marked, and all financial instruments reported on such lines are QFIs (Type D financial instruments);
- e) line 27, then the box above line 27 must be marked, and all financial instruments reported on line 27 are QFIs (Type I financial instruments);
- f) line 28, then the box above line 28 must be marked;
- g) line 29, then the box above line 29 must be marked;
- h) line 30, due to clause (H), then the section 210-A.5(a)(2)(H) box above line 30 must be marked; and
- i) line 30, due to clause (G), then the section 210-A.5(a)(2)(G) box above line 30 must be marked

A marked QFI box does **not** indicate which method of sourcing (8% fixed percentage method or customer-based sourcing rule) is being used to apportion such instruments. Also, because lines 28, 29, and 30 may report more than one **type** of financial instrument, when the QFI box above line 28 is marked, or one of the boxes above lines 29 and 30 is marked: a) in the case of line 28, it does **not** indicate that all financial instruments being reported on line 28 are QFIs, and b) in the case of lines 29 and 30 it does **not** indicate that all financial instruments being reported on lines 29 and 30 are QFIs.

### General lines 9 through 52 instructions

For all financial instruments that do **not** meet the definition of a QFI, or for instruments that meet the definition of a QFI but the 8% fixed percentage method election is **not** in effect, use the customer-based sourcing rules as detailed in the specific line instructions for lines 9 through 27, 29, and 30.

**Regardless** of whether or not the 8% fixed percentage method election is in effect, Worksheets A, B, and C of these instructions compute certain amounts for lines 10, 12, 21, 24, 28, and 30 of Part 3.

For purposes of these apportionment instructions, an individual is deemed to be located in New York State if his or her billing address is in the state. A business entity is deemed to be located in New York State if its commercial domicile is located in the state.

Use the following hierarchy to determine the *commercial domicile* of a business entity, based on known information, or information that would be known upon reasonable inquiry:

- 1) The seat of management and control of the business entity.
- 2) The billing address of the business entity in the taxpayer's records.

You must exercise due diligence before rejecting the first method and proceeding to the next method in this hierarchy.

For purposes of these apportionment instructions, *registered securities broker or dealer* means a broker or dealer registered as such by the Securities and Exchange Commission (SEC) or a broker or dealer registered as such by the commodities futures trading commission, and shall include an over-the-counter (OTC) derivatives dealer as defined under regulations of the SEC (17 CFR 240.3b-12).

### Section 210-A.5(a)(2)(A) – Loans

A loan is secured by real property if 50% or more of the value of the collateral used to secure the loan (when valued at FMV as of the time the loan was originated) consists of real property.

**Line 9** – Include in the New York column, interest from loans secured by real property located within the state.

Include in the Everywhere column interest from loans secured by real property located anywhere.

**Line 10** – For the New York column, multiply the amount of **net** gains (not less than zero) from sales of loans secured by real property by a fraction, the numerator of which is the amount of gross proceeds from sales of loans secured by real property located within the state, and the denominator of which is the amount of gross proceeds from sales of such loans everywhere.

In the Everywhere column, include the amount of net gains (not less than zero) from sales of loans secured by real property both within and outside New York State.

Use Worksheet A at the end of these instructions.

**Line 11** – When the 8% fixed percentage method **is** elected (the box on Part 3, line 8, is marked), **and** the QFI box on line 11 **is** marked, use such method for **all** financial instruments to be reported on this line.

When the 8% fixed percentage method **is not** elected (the box on Part 3, line 8, is **not** marked), **and** the QFI box on line 11 **is** marked, use the customer-based sourcing rule below for **all** financial instruments to be reported on this line.

When the QFI box on line 11 is **not** marked, use the customer-based sourcing rule below for **all** financial instruments to be reported on this line.

In the New York column, include interest from loans **not** secured by real property if the borrower is located in New York State.

In the Everywhere column, include interest from all loans **not** secured by real property.

**Line 12** – For the New York column, multiply net gains (not less than zero) from sales of loans **not** secured by real property by a fraction, the numerator of which is the amount of gross proceeds from sales of loans not secured by real property to purchasers located within the state, and the denominator of which is the amount of gross proceeds from sales of such loans to purchasers located within and outside the state.

In the Everywhere column, include the amount of net gains (not less than zero) from sales of loans **not** secured by real property within and outside the state.

Use Worksheet A at the end of these instructions.

**Section 210-A.5(a)(2)(B) – Federal, state, and municipal debt**

**Lines 13 through 18** – Receipts are **not** included in column A (NYS) **unless** you have made the election to apportion QFI receipts using the 8% fixed percentage method. For lines 13, 15, and 16, in the Everywhere column, enter 100% of the applicable receipts regardless of if the 8% fixed percentage method election was made. For lines 17 and 18, if the 8% fixed percentage method election was made, and the QFI box above line 13 is marked, enter 100% of the receipts constituting interest and net gains from sales of debt instruments issued by other states or their political subdivisions in the Everywhere column. Otherwise, enter 50% for lines 17 and 18 in the Everywhere column.

**Line 16** – When netting gains against losses, only net the gains from federal, NYS, and NYS political subdivisions debt against the losses from federal, NYS, and NYS political subdivisions debt. Do not enter less than zero.

**Line 18** – When netting gains against losses, only net the gains from other states and their political subdivisions debt against the losses from other states and their political subdivisions debt. Do not enter less than zero.

**Section 210-A.5(a)(2)(C) – Asset-backed securities and other government agency debt**

**Line 19** – In the Everywhere column, enter 100% of the interest income from **all**:

- 1) Asset-backed securities issued by government agencies;
- 2) Other securities issued by government agencies, including but not limited to securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Small Business Administration (SBA); and
- 3) Asset-backed securities issued by other entities.

In the New York column, enter 8% of the amount in the Everywhere column.

**Line 20** – In the Everywhere column enter the result (but not less than zero) of netting the gains and losses from **all**:

- 1) Sales of asset-backed securities or other securities issued by government agencies, including but not limited to securities issued by GNMA, FNMA, FHLMC, or the SBA; and
- 2) Sales of other asset-backed securities that are sold through a registered securities broker or dealer, or through a licensed exchange.

In the New York column, enter 8% of the amount in the Everywhere column.

**Line 21** – For the New York column, multiply net gains (not less than zero) from sales of other asset-backed securities **not** reported on line 20 by a fraction, the numerator of which is the amount of gross proceeds from such sales to purchasers located in the state, and the denominator of which is the amount of gross proceeds from such sales to purchasers located within and outside the state.

In the Everywhere column, enter 100% of the amount of net gains (not less than zero) from sales of other asset-backed securities not reported on line 20.

Use Worksheet A at the end of these instructions.

**Section 210-A.5(a)(2)(D) – Corporate bonds**

**Line 22** – In the New York column, enter interest from corporate bonds when the commercial domicile of the issuing corporation is in the state.

If the 8% fixed percentage method election has been made (the box on line 8 is marked), **and** the QFI box above line 22 is marked, enter 8% of the applicable receipts in the New York column.

**Line 23** – In the Everywhere column, enter the result (but not less than zero) of netting the gains and losses from the sales of all corporate bonds sold through a registered securities broker or dealer, or through a licensed exchange.

In the New York column, enter 8% of the amount in the Everywhere column.

**Line 24** – For the New York column, multiply net gains (not less than zero) from those sales of corporate bonds **not** reported on line 23 by a fraction, the numerator of which is the amount of gross proceeds from such sales to purchasers located within the state, and the denominator of which is the amount of gross proceeds from such sales to purchasers located within and outside the state.

In the Everywhere column, enter the amount of net gains (not less than zero) from sales of corporate bonds to purchasers within and outside the state.

Use Worksheet A at the end of these instructions.

**Section 210-A.5(a)(2)(E) – Interest income from reverse repurchase and securities borrowing agreements**

**Line 25** – In the New York column, enter 8% of net interest income (not less than zero) from reverse repurchase agreements and securities borrowing agreements. For this calculation, net interest income is determined after the deduction of the amount of interest expense from the taxpayer's repurchase agreements and securities lending transactions, but cannot be less than zero. The amount of such interest expense is the interest expense associated with the sum of the value of the taxpayer's repurchase agreements where the taxpayer is the seller or borrower, **plus** the value of the taxpayer's securities lending agreements where the taxpayer is the securities lender (provided such sum is limited to the sum of the value of the taxpayer's reverse repurchase agreements where the taxpayer is the purchaser or lender, **plus** the value of the taxpayer's securities lending agreements where the taxpayer is the securities borrower).

**Section 210-A.5(a)(2)(F) – Interest income from federal funds**

**Line 26** – In the Everywhere column, enter 100% of the net interest from federal funds. In determining net interest from federal funds, deduct interest expense that is from federal funds. The resulting net interest cannot be less than zero.

In the New York column, enter 8% of the amount in the Everywhere column.

**Section 210-A.5(a)(2)(I) – Net income from sales of physical commodities**

**Line 27** – For the New York column, multiply the net income from sales of physical commodities by a fraction, the numerator of which is the amount of receipts from sales of physical commodities actually delivered to points within the state or, if there is no actual delivery of the physical commodity, the amount sold to purchasers located in the state, and the denominator of which is the amount of receipts from all sales of physical commodities actually delivered to points within and outside the state or, if there is no actual delivery of the physical commodity, the amount sold to purchasers located both within and outside the state.

Net income (not less than zero) from sales of physical commodities is determined after the deduction of the cost to acquire or produce the physical commodities.

In the Everywhere column, enter 100% of the net income (not less than zero) from sales of physical commodities.

**Section 210-A.5(a)(2)(J) – Marked to market net gains**

**Line 28** – **All** marked to market net gains are reported on this line for **all** financial instruments.

For the purposes of computing marked to market net gains for this line, *marked to market* means that a financial instrument is **treated** by the taxpayer as sold for its FMV on the last business day of the taxpayer's tax year, despite no actual sale having taken place, under IRC section 475 or 1256. The term *marked to market gain or loss* means the gain or loss recognized by the taxpayer under IRC section 475 or 1256 because the financial instrument is **treated** as sold for its FMV on the last business day of the tax year.



All marked to market net gains are reported on this line. When the 8% fixed percentage method **is** elected, use such method to source marked to market net gains for all financial instruments **that are QFIs**.

When the 8% fixed percentage method **is** elected, use the customer-based sourcing rule below to source the marked to market net gains for those financial instruments that are **not** QFIs. Also, use the customer-based sourcing rule below to source **all** marked to market net gains for **all** financial instruments when the 8% fixed percentage method **is not** elected.

The amount of marked to market net gains to be included in the **New York** column of line 28 for financial instruments **described** on any certain line of Form CT-3-S, Part 3, is determined by multiplying such marked to market net gains by a fraction, the **numerator** of which is the amount included in the numerator of the apportionment fraction for the net gains from **actual** sales of financial instruments reported on that **same** certain line of Form CT-3-S, Part 3, and the **denominator** of which is the amount included in the denominator of the apportionment fraction for the net gains from **actual** sales of the financial instruments reported on that **same** certain line of Form CT-3-S, Part 3.

In the **Everywhere** column, enter 100% of the marked to market net gains from financial instruments for which the amount to be included in the New York column is determined under the immediately preceding paragraph.

If financial instruments that are **described** on any certain line of Form CT-3-S, Part 3, have marked to market net gains, but there are **no actual** sales of financial instruments reported on that **same** certain line of Form CT-3-S, Part 3, **or** if there **are actual** sales of financial instruments reported on that **same** certain line of Form CT-3-S, Part 3, but those **actual** sales resulted in a net **loss**, the amounts of the marked to market net gains to include in the **New York** column of line 28 for those same financial instruments is determined by multiplying such marked to market net gains by a fraction, the **numerator** of which is the **sum** of the amounts entered in the New York column for Part 3, lines 9 through 30, and the **denominator** of which is the **sum** of the amounts entered in the Everywhere column of Part 3, lines 9 through 30.

In the **Everywhere** column, enter 100% of the marked to market net gains from financial instruments for which the amount to be included in the New York column is determined under the immediately preceding paragraph.

Use Worksheet C at the end of these instructions.

**Note:** When sourcing the marked to market net gain from loans secured by real property, always use customer-based sourcing (even when the 8% fixed percentage method election was made). If using customer-based sourcing to source such marked to market net gains, when 210-A.5(a)(2)(j)(iii) applies, never include any amounts sourced under the 8% fixed percentage method election in computing the NYS aggregate marked to market factor in Part 2 of Worksheet C.

### Section 210-A.5(a)(2)(H) – Income from other financial instruments

**Line 29** – When the 8% fixed percentage method **is** elected, use such method for all financial instruments to be reported on this line **that are QFIs**. When the 8% fixed percentage method **is** elected, use the customer-based sourcing rule below for those financial instruments to be reported on this line that are **not** QFIs. Also, use the customer-based sourcing rule below for **all** financial instruments to be reported on this line when the 8% fixed percentage method **is not** elected.

Interest income from other financial instruments includes, but is not limited to, interest income on: deposit accounts; money market mutual funds; and debt issued by a country, or political subdivision thereof, other than the United States.

In the New York column, enter interest from other financial instruments when the payor is located in New York State.

**Line 30** – More than 1 type of financial instrument may be reported on this line. Report financial instruments under clause (G) or clause (H) of §210-A.5(a)(2).

Include clause (G) financial instruments **only** when the 8% fixed percentage method **is** elected. The following constitute clause (G) instruments to be included:

- dividends and net gains from stock that is business capital if you have, in the tax year, marked to market any stock under IRC section 475 or 1256; provided that dividends that qualify as other exempt income should **not** be included; and
- net gains from the sale of partnership interests in widely held or publicly traded partnerships if you have, in the tax year, marked to market any partnership interest in a widely held or publicly traded partnership under IRC section 475 or 1256.

Customer-based sourcing rules for clause (H) instruments included on line 30:

- for gains from “other” financial instruments, for the Everywhere column, net the gains from all sales of a type of “other” financial instrument against the losses from all sales of the **same** type of “other” financial instrument. For the New York column, for the **same** type of “other” financial instrument being reported in the Everywhere column, net the gains from all sales of such **same** type of “other” financial instrument, where the purchaser or payor is located in New York State, against the losses from all sales of such **same** type of “other” financial instrument, where the purchaser or payor is located in New York State. **However**, if the purchaser or payor is a registered securities broker or dealer, or the transaction is made through a licensed exchange, then include 8% of the Everywhere amount in the New York column.
- for “other” income from “other” financial instruments, for the Everywhere column, compute the “other” income (but not less than zero) from a type of “other” financial instrument. For the New York column, for the **same** type of “other” financial instrument being reported in the Everywhere column, compute the “other” income (but not less than zero) from such **same** type of “other” financial instrument, where the purchaser or payor is located in New York State. **However**, if the purchaser or payor is a registered securities broker or dealer, or the transaction is made through a licensed exchange, then include 8% of the Everywhere amount in the New York column.

Use Worksheet B at the end of these instructions.

### Section 210-A.5(b) – Other receipts from broker or dealer activities

For the purposes of lines 31 through 37, *securities* has the same meaning as in IRC section 475(c)(2), and *commodities* has the same meaning as in IRC section 475(e)(2). If the taxpayer receives any of the receipts reported on lines 31 through 35 as a result of a securities correspondent relationship that the taxpayer has with another broker or dealer (with the taxpayer acting in this relationship as the clearing firm), those receipts are deemed generated within the state to the extent set forth in §210-A.5(b)(1) through §210-A.5(b)(4). The amount of those receipts excludes the amount the taxpayer is required to pay to the correspondent firm for the correspondent relationship. If the taxpayer receives any of the receipts reported on lines 31 through 35 as a result of a securities correspondent relationship that the taxpayer has with another broker or dealer (with the taxpayer acting in this relationship as the introducing firm), these receipts are deemed generated within the state to the extent set forth in §210-A.5(b)(1) through §210-A.5(b)(4). If the taxpayer is unable to determine the mailing address of the customer from its records, include 8% of the receipts in the numerator of the apportionment fraction.

**Line 31** – In the New York column, enter brokerage commissions derived from the execution of securities or commodities purchase or sales orders for the accounts of customers if in the records of the taxpayer, the mailing address of the customer responsible for paying the commissions is in the state.

**Line 32** – In the New York column, enter margin interest earned on behalf of brokerage accounts if in the records of the taxpayer, the mailing address of the customer responsible for paying such margin interest is in the state.

**Line 33** – In the New York column, enter the amount of fees for advisory services to a customer in connection with the underwriting of securities for the entity that is contemplating issuing or is issuing

securities, or fees for managing an underwriting, if in the records of the taxpayer, the mailing address of the customer responsible for paying such fees is in the state.

**Line 34** – In the New York column, enter the receipts constituting the primary spread of selling concession from underwritten securities if the customer is located in the state. The term *primary spread* means the difference between the price paid by the taxpayer to the issuer of the securities being marketed and the price received from the subsequent sale of the underwritten securities at the initial public offering price, less any selling concession and any fees paid to the taxpayer for advisory services or any manager's fees, if those fees are not paid by the customer to the taxpayer separately. The term *public offering price* means the price agreed upon by the taxpayer and the issuer at which the securities are to be offered to the public. The term *selling concession* means the amount paid to the taxpayer for participating in the underwriting of a security where the taxpayer is not the lead underwriter.

**Line 35** – In the New York column, enter account maintenance fees if in the records of the taxpayer, the mailing address of the customer responsible for paying such account maintenance fees is in the state.

**Line 36** – In the New York column, enter fees for management or advisory services, including fees for advisory services in relation to merger or acquisition activities, if in the records of the taxpayer, the mailing address of the customer responsible for paying such fees is in the state. Exclude fees paid for services reported on line 43.

**Line 37** – Interest earned on loans and advances made by the taxpayer to a corporation affiliated with the taxpayer, but with which the taxpayer is not included in a combined return under Article 9-A are deemed to arise from services performed at the principal place of business of the affiliated corporation. If such principal place of business is in New York State, include the interest in the New York column.

### Section 210-A.5(c) – Receipts from credit card and similar activities

**Lines 38 through 42** – These lines are used by corporations that **issue or process** credit cards and **not** by businesses that accept credit cards as payment for goods or services.

**Line 38** – In the New York column, enter interest, fees, and penalties in the nature of interest from bank, credit, travel, and entertainment card receivables if in the records of the taxpayer, the mailing address of the card holder is in the state.

**Line 39** – In the New York column, enter service charges and fees from such cards, if in the records of the taxpayer, the mailing address of the card holder is in the state.

**Line 40** – In the New York column, enter receipts from merchant discounts when the merchant is located within the state. If the merchant has locations both within and outside of New York State, **only** receipts from merchant discounts attributable to sales made from locations within New York State are entered in the New York column. The location of the merchant is presumed to be the address of the merchant shown on the invoice submitted to the taxpayer by the merchant.

**Line 41** – In the New York column, enter receipts from credit card authorization processing, and clearing and settlement processing, received by credit card processors if the location where the customer of the credit card processor accesses the credit card processor's network is located within the state.

**Line 42** – For the New York column, multiply the total amount of all other receipts received by credit card processors not reported on lines 1 through 53 by the average of 8% and the percent of its New York access points. The *percent of New York access points* is the number of locations within the state from which the credit card processor's customers access the credit card processor's network, divided by the total number of locations in the United States where the credit card processor's customers access the credit card processor's network.

### Section 210-A.5(d) – Receipts from certain services to investment companies

**Line 43** – For the New York column, multiply the receipts received from an investment company arising from the sale of management,

administration, or distribution services to such investment company by a fraction, the numerator of which is the sum of the monthly percentages determined for each month of the investment company's federal tax year that ends within the tax year of the taxpayer (but excluding any month during which the investment company had no outstanding shares), and the denominator of which is the number of those monthly percentages.

To determine the monthly percentage for each month, divide the number of shares in the investment company that are owned on the last day of the month by shareholders that are located in New York State by the total number of shares in the investment company outstanding on that date.

In the Everywhere column, enter 100% of the receipts received from an investment company arising from the sale of management, administration, or distribution services to the investment company.

For purposes of these receipts, the following apply:

- An individual, estate or trust is deemed located in the state if his, her, or its mailing address in the records of the investment company is in the state. A business entity is deemed located in the state if its commercial domicile is located in the state.
- *Investment company* means a regulated investment company, as defined in IRC section 851, and a partnership to which IRC section 7704(a) applies (by virtue of section 7704(c)(3)) and that meets the requirements of IRC section 851(b). This is applied to the tax year, for federal income tax purposes, of the business entity that is asserted to constitute an investment company that ends within the tax year of the taxpayer.
- *Receipts from an investment company* includes amounts received directly from an investment company as well as amounts received from the shareholders in the investment company, in their capacity as such.
- *Management services* means the rendering of investment advice to an investment company, making determinations as to when sales and purchases of securities are to be made on behalf of an investment company, or the selling or purchasing of securities constituting assets of an investment company, and related activities, but only where such activity or activities are performed pursuant to a contract with the investment company entered into according to the federal Investment Company Act of 1940, section 15(a), as amended.
- *Distribution services* means the services of advertising, servicing investor accounts (including redemptions), marketing shares or selling shares of an investment company; but in the case of advertising, servicing investor accounts (including redemptions) or marketing shares, **only** where such service is performed by a person who is (or was, in the case of a closed end company) also engaged in the service of selling such shares. In the case of an open-end company, the service of selling shares must be performed pursuant to a contract entered into pursuant to the federal Investment Company Act of 1940, section 15(b), as amended.
- *Administration services* includes clerical, accounting, bookkeeping, data processing, internal auditing, legal, and tax services performed for an investment company, but only if the provider of such service or services during the tax year in which such service or services are sold also sells management or distribution services (as defined above), to such investment company.

### Section 210-A.6 – Receipts from railroad and trucking businesses

**Line 44** – For the New York column, multiply receipts from the conduct of a railroad business or a trucking business (including surface railroad, whether or not operated by steam, subway railroad, elevated railroad, palace car or sleeping car business) by a fraction, the numerator of which is the revenue miles in such business within the state during the period covered by this return, and the denominator of which is the revenue miles in such business both within and outside the state during such period.

### Section 210-A.6-a – Receipts from operation of vessels

**Line 45** – For the New York column, multiply receipts from the operation of vessels by a fraction, the numerator of which is the

aggregate number of working days of the vessels owned or leased by the taxpayer in territorial waters of the state during the period covered by this return, and the denominator of which is the aggregate number of working days of all vessels owned or leased by the taxpayer during such period.

**Section 210-A.7 – Receipts from aviation services**

**Line 46 Air freight forwarding** – In the New York column, enter the receipts from the activity of air freight forwarding acting as principal and like indirect air carrier receipts arising from that activity as follows:

- 100% of such receipts if both the pickup and delivery associated with those receipts are made in the state; and
- 50% of such receipts if either the pickup or delivery associated with those receipts is made in this state.

In the Everywhere column, enter the amount of receipts from all such activity.

**Line 47 Other aviation services** – For the New York and Everywhere columns, determine the portion of receipts from aviation services, other than services described in line 46 (but including the receipts of a qualified air freight forwarder, as described below) to enter by completing *Worksheet for Part 3, line 47*, below.

*Aircraft arrivals and departures* means the number of landings and takeoffs in the tax year, **plus** the number of air pickups and deliveries by such aircraft. Do **not** include arrivals and departures solely for maintenance, repair, or refueling (where no debarkation or embarkation of traffic occurs). Arrivals and departures of ferry and personnel training flights, or in the event of emergency situations, are also not included. Arrivals and departures of flights transporting officers and employees receiving air transportation are included (but see *Note*: below for exceptions) without regard to remuneration.

**Note:** The Commissioner of Taxation and Finance may exempt from the calculation arrivals and departures of all non-revenue flights including flights involving the transportation of officers and employees receiving air transportation to perform maintenance or repair services, or where such officers or employees are transported in conjunction with an emergency situation or the investigation of an air disaster (other than on a scheduled flight).

*Revenue tons handled by the taxpayer at airports* means the weight, in tons, of revenue passengers (at 200 pounds per passenger) and revenue cargo first received, either as originating or connecting traffic or finally discharged at an airport.

*Originating revenue* means revenue to the taxpayer from the transportation of revenue passengers and revenue property first received by the taxpayer as originating or connecting traffic at airports.

A corporation is a *qualified air freight forwarder* with respect to another corporation if:

- it owns or controls, either directly or indirectly, all of the capital stock of such other corporation; or if all of its capital stock is owned or

controlled, either directly or indirectly, by such other corporation; or if all of the capital stock of both corporations is owned or controlled, either directly or indirectly, by the same interests;

- it is principally engaged in the business of air freight forwarding; and
- its air freight forwarding business is carried on principally with the airline or airlines operated by such other corporation.

**Section 210-A.8 – Advertising: newspapers/periodicals, TV/radio, and other means**

**Line 48** – For the New York column, multiply receipts from sales of advertising in newspapers or periodicals by a fraction, the numerator of which is the number of newspapers and periodicals delivered to points within the state, and the denominator of which is the number of newspapers and periodicals delivered to points both within and outside the state.

**Line 49** – For the New York column, multiply receipts from sales of advertising on television or radio by a fraction, the numerator of which is the number of viewers or listeners within the state, and the denominator of which is the number of viewers or listeners both within and outside the state.

**Line 50** – For the New York column, multiply receipts from sales of advertising **not** reported on either line 48 or 49 that is furnished, provided, or delivered to or accessed by the viewer or listener through the use of wire, cable, fiber-optic, laser, microwave, radio wave, satellite or similar successor media, or any combination of these by a fraction, the numerator of which is the number of viewers or listeners within the state, and the denominator of which is the number of viewers or listeners both within and outside the state.

**Section 210-A.9 – Receipts from the transportation or transmission of gas through pipes**

**Line 51** – For the New York column, multiply receipts from the transportation or transmission of gas through pipes by a fraction, the numerator of which is the taxpayer’s transportation units within the state, and the denominator of which is the taxpayer’s transportation units both within and outside the state. A *transportation unit* is the transportation of one cubic foot of gas over a distance of one mile.

**Section 210-A.10 – Receipts from other services/activities not specified**

**Line 52** – In the New York column, enter receipts from services and other business receipts not reported on lines 1 through 53, if the location of the customer is within the state. The determination of the amount of receipts included in the New York column is made according to the *Hierarchy of methods* below. The taxpayer must exercise due diligence under each method described before rejecting it and proceeding to the next method in the hierarchy, and must base its determination on information known to the taxpayer, or information that would be known to the taxpayer upon reasonable inquiry.

**Worksheet for Part 3, line 47**

		A Within NYS	B Column A X 60% (.60)	C Everywhere	D NYS percentage (round to three decimal places)
<b>1</b>	<b>Aircraft arrivals and departures</b> during the period of this return .....				
	..... <b>1</b>				
<b>2</b>	Divide line 1, column B, by line 1, column C .....				
	..... <b>2</b>				
<b>3</b>	<b>Revenue tons handled at airports</b> during the period of this return .....				
	..... <b>3</b>				
<b>4</b>	Divide line 3, column B, by line 3, column C .....				
	..... <b>4</b>				
<b>5</b>	<b>Originating revenue</b> during the period of this return .....				
	..... <b>5</b>				
<b>6</b>	Divide line 5, column B, by line 5, column C .....				
	..... <b>6</b>				
<b>7</b>	Add all percentage amounts in column D, lines 2, 4, and 6; then divide by 3 .....				
	..... <b>7</b>				
<b>8</b>	Enter 100% of receipts from other aviation services; also enter on line 47, in column B .....				
	..... <b>8</b>				
<b>9</b>	Multiply line 7 by line 8; also enter on line 47, in column A .....				
	..... <b>9</b>				



**Hierarchy of methods**

- 1) The benefit is received in this state.
- 2) Delivery destination.
- 3) The apportionment fraction for such receipts within the state determined according to §210-A.10 for the preceding tax year.
- 4) The apportionment fraction for the current tax year determined according to §210-A.10 for those receipts that can be sourced using the hierarchy of sourcing method in item 1 or 2.

**Note:** Item 3 does not apply to your first tax period that begins on or after January 1, 2015, for which you are subject to Article 9-A.

**Section 210-A.11 – Discretionary adjustments**

If it appears that the apportionment fraction determined according to §210-A does not result in a proper reflection of the taxpayer's business income or capital within the state, the Commissioner of Taxation and Finance is authorized in his or her discretion to adjust it, or the taxpayer may request that the commissioner adjust it. This is done by:

- excluding one or more items in such determination,
- including one or more other items in such determination, or
- any other similar or different method calculated to effect a fair and proper apportionment of the business income and capital reasonably attributed to the state.

The party seeking the adjustment bears the burden of proof to demonstrate that the apportionment fraction determined according to §210-A does not result in a proper reflection of the taxpayer's business income or capital within the state and that the proposed adjustment is appropriate.

Where you have received approval from the commissioner to make such adjustment, use line 53 to report it. Do **not** use line 53 to report an adjustment **unless** you have received the approval of the commissioner. If you received the approval of the commissioner, you must attach a copy of such approval to your return. If you have not received the approval of the commissioner before filing this return, you must file using the statutory rules for apportionment. You may file an amended return after you have received approval.

Worksheet A – Gross proceeds factors and net gains for lines 10, 12, 21, and 24			
Line 10	§210-A.5(a)(2)(A)(iii) – Gross proceeds from sales of loans secured by real property ( <i>see instructions</i> )		
	10a	NYS	
	10b	EW	
	10c	NYS gross proceeds factor	
	§210-A.5(a)(2)(A)(iii) – Net gains from sales of loans secured by real property ( <i>see instructions</i> )		
	10d	EW	
Line 12	§210-A.5(a)(2)(A)(iv) – Gross proceeds from sales of loans not secured by real property ( <i>see instructions</i> )		
	12a	NYS	
	12b	EW	
	12c	NYS gross proceeds factor	
	§210-A.5(a)(2)(A)(iv) – Net gains from sales of loans not secured by real property ( <i>see instructions</i> )		
	12d	EW	
Line 21	§210-A.5(a)(2)(C) – Gross proceeds from all other asset backed securities not reported on line 20 ( <i>see instructions</i> )		
	21a	NYS	
	21b	EW	
	21c	NYS gross proceeds factor	
	§210-A.5(a)(2)(C) – Net gains from all other asset backed securities not reported on line 20 ( <i>see instructions</i> )		
	21d	EW	
Line 24	§210-A.5(a)(2)(D) – Gross proceeds from other sales of corporate bonds not reported on line 23 ( <i>see instructions</i> )		
	24a	NYS	
	24b	EW	
	24c	NYS gross proceeds factor	
	§210-A.5(a)(2)(D) – Net gains from other sales of corporate bonds not reported on line 23 ( <i>see instructions</i> )		
	24d	EW	
24e	NYS		

## Worksheet A – Gross proceeds factors and net gains – Form CT-3-S, Part 3, lines 10, 12, 21, and 24.

### General information

This worksheet computes the amounts for Form CT-3-S, Part 3, lines 10, 12, 21, and 24. See the corresponding Form CT-3-S-I, Part 3 line instructions and also the specific instructions below. In the instructions below, **all lines** refers to lines 10, 12, 21, and 24, and specific rows (a, b, c, d, or e) are indicated to clarify which rows of these lines the specific instruction applies to.

### Line instructions for Worksheet A

Use the instructions for Condition 1 or Condition 2 below, whichever applies; however:

- for **line 10**, use the specific instructions under Condition 1 below and skip Condition 2.
- for **lines 12, 21, and 24**, when the receipts for a certain line are **not** from QFIs (the QFI box pertaining to that specific line is not marked), use the specific instructions under Condition 1 below.

**Condition 1** – If the fixed percentage method for QFIs is **not** in effect (use when Form CT-3-S, Part 3, line 8 box is **not** marked)

- 1.1. For all lines, rows a and b respectively, enter the total NYS and EW gross proceeds amount for that line's category of receipts; do not enter an amount less than zero. In determining such total gross amounts for each line, deduct any cost incurred to acquire the securities. When this results in a negative proceeds amount for an individual security reported on a line, such negative amount is not limited to zero, and is netted against any positive proceeds amounts for securities also reported on the **same** line.
- 1.2. For all lines, row c, divide the amount in row a by the amount in row b, and enter the result rounded to four decimal places; however, if either the amount in row a or the amount in row b is equal to zero, enter **0**. This is the NYS gross proceeds factor for each respective line. It is used to compute the row e (NYS) amount for all lines.
- 1.3. For all lines, row d, enter the EW receipts for that line's category of receipts, but if the result is less than zero, enter **0**.
- 1.4. For all lines, row e, multiply the factor in that line's row c (the NYS gross proceeds factor) by the amount in that line's row d, and enter the result. If the result is zero, enter **0**.

**Condition 2** – If the fixed percentage method for QFIs **is** in effect (use for a specific line when Form CT-3-S, Part 3, line 8 box is marked **and** the QFI box pertaining to that specific line is also marked)

- 2.1. Leave rows a through c blank, for such specific line(s).
- 2.2. For such specific lines, row d, enter the EW receipts for that line's category of receipts, but if the result is less than zero, enter **0**.
- 2.3. In **row e**, for such specific line(s), multiply row d by 8% (.08) and enter the result; however, if the result is an amount equal to zero, enter **0** in row e.

### Where are the amounts calculated on Worksheet A entered?

The amounts entered or calculated in rows a, b, and c, for all lines, are only used for Worksheet A calculations and do not get transferred to any other form or worksheet. The amounts entered or calculated in rows d and e need to be entered on Form CT-3-S, as follows:

Amount from Worksheet A	Amount is entered on
Line 10d (EW)	CT-3-S, Part 3, line 10 EW (column B)
Line 10e (NYS)	CT-3-S, Part 3, line 10 NYS (column A)
Line 12d (EW)	CT-3-S, Part 3, line 12 EW (column B)
Line 12e (NYS)	CT-3-S, Part 3, line 12 NYS (column A)
Line 21d (EW)	CT-3-S, Part 3, line 21 EW (column B)
Line 21e (NYS)	CT-3-S, Part 3, line 21 NYS (column A)
Line 24d (EW)	CT-3-S, Part 3, line 24 EW (column B)
Line 24e (NYS)	CT-3-S, Part 3, line 24 NYS (column A)

Worksheet B – Net gains and other income for line 30		
<b>Part 1</b>		
§210-A.5(a)(2)(H) – <b>Net gains</b> from all “other” financial instruments of one type ( <i>see instructions</i> )		
30.1a	EW	
30.1b	NYS	
§210-A.5(a)(2)(H) – <b>Net gains</b> from all “other” financial instruments of a second type ( <i>see instructions</i> )		
30.1a	EW	
30.1b	NYS	
§210-A.5(a)(2)(H) – <b>Net gains</b> from all “other” financial instruments of a third type ( <i>see instructions</i> )		
30.1a	EW	
30.1b	NYS	
§210-A.5(a)(2)(H) – <b>Other income</b> from all “other” financial instruments of one type ( <i>see instructions</i> )		
30.2a	EW	
30.2b	NYS	
§210-A.5(a)(2)(H) – <b>Other income</b> from all “other” financial instruments of a second type ( <i>see instructions</i> )		
30.2a	EW	
30.2b	NYS	
§210-A.5(a)(2)(H) – <b>Other income</b> from all “other” financial instruments of a third type ( <i>see instructions</i> )		
30.2a	EW	
30.2b	NYS	
<b>Part 2</b> ( <i>see instructions</i> )		
§210-A.5(a)(2)(G) – <b>Dividends</b> from stock that is business capital ( <i>see instructions</i> )		
30.3a	EW	
30.3b	NYS	
§210-A.5(a)(2)(G) – <b>Net gains</b> from sales of stock that is business capital ( <i>see instructions</i> )		
30.4a	EW	
30.4b	NYS	
§210-A.5(a)(2)(G) – <b>Net gains</b> from sales of partnership interests ( <i>see instructions</i> )		
30.5a	EW	
30.5b	NYS	
<b>Totals of Parts 1 and 2</b>		
§210-A.5(a)(2)(H) and (G) – <b>Net gains and other income</b> from “other” financial instruments ( <i>see instructions</i> )		
30a	Total EW	
30b	Total NYS	

## Worksheet B – Net gains and other income – Form CT-3-S, Part 3, line 30

### General information

This worksheet computes certain amounts for Form CT-3-S, Part 3, line 30. See the line 30 instructions in Form CT-3-S-I, Part 3 and also the specific instructions below. In the instructions below, **all lines** refers to all lines 30.1 and 30.2, and lines 30.3, 30.4, 30.5, and 30, and specific rows (a or b) are indicated to clarify which rows of these lines the specific instruction applies to. **Note:** Lines 30.1 through 30.5 are specific to this worksheet only. Since Form CT-3-S, Part 3, line 30 is comprised of different types of receipts that have to be netted separately, these receipts amounts are shown separately on lines 30.1 through 30.5.

## Line instructions for Worksheet B

### Part 1

Only clause (H) receipts are reported in Part 1.

**Step 1 – Lines 30.1 and 30.2, row a (EW) –** Regardless of whether or not the fixed percentage method is in effect for **lines 30.1 and 30.2, for row a (EW)**, follow the applicable Form CT-3-S-I, Part 3, line 30 instructions to determine the amount of everywhere receipts, except that if the amount is less than zero, enter **0**. When you have **net gains** from sales of more than one type of “other” financial instruments, use separate lines 30.1 to report sales of all “other” financial instruments of each such type. The same is true for lines 30.2 when reporting **other income** from “other” financial instruments.

If you have receipts reportable on lines 30.1 or 30.2 from **more** than three separate types of “other” financial instruments, use an additional line 30.1 or line 30.2 for **each** additional separate type of “other” financial instrument for which you have net gains (line 30.1) or other income (line 30.2); include the amounts from these additional lines in the same manner as you would for the three lines 30.1 and 30.2 provided on the worksheet, as you complete the steps below, as applicable.

**Step 2 – Complete lines 30.1 and 30.2, row b (NYS)**, using the instructions for Condition 1 or Condition 2, or both, as applicable.

**Condition 1 –** If the fixed percentage method for QFIs is **not** in effect (Form CT-3-S, Part 3, line 8 box is **not** marked); **or** if the receipts from line 30.1 or 30.2 do **not** represent receipts from QFIs (see instructions for Form CT-3-S, Part 3, line 8):

- 1.1. For such **lines 30.1 and 30.2, row b**, follow the applicable line 30 instructions to determine the amount of NYS receipts, except that if the amount is less than zero, enter **0**. Use a separate line 30.1 for **net gains** from sales of all “other” financial instruments of each certain type, and use a separate line 30.2 for **other income** from all “other” financial instruments of each certain type.

**Condition 2 –** If the fixed percentage method for QFIs is in effect (Form CT-3-S, Part 3, line 8 box is marked) **and**:

- 2.1. the clause (H) QFI box is **not** marked on Form CT-3-S, Part 3, above line 29, then lines 30.1 and 30.2, row b, are completed in the same manner as if the fixed percentage method is **not** in effect (see above instructions).
- 2.2. the clause (H) QFI box is marked on Form CT-3-S, Part 3, above line 29, **and** the receipts to be reported on a line 30.1 or 30.2 represent receipts from QFIs (see instructions for CT-3-S, Part 3, line 8), then for such lines 30.1 or 30.2, **row b**, multiply row **a**, for each respective line, by 8% (.08) and enter the result; however, if the result is an amount equal to zero, enter **0** in row **b**. Use a separate line 30.1 for **net gains** from sales of all “other” financial instruments of **each** certain type, and use a separate line 30.2 for **other income** from all “other” financial instruments of **each** certain type.

### Part 2

Only clause (G) receipts are reported in Part 2.

Part 2 of Worksheet B must **only** be completed if the fixed percentage method for QFIs is in effect. If Form CT-3-S, Part 3, line 8 box is **not** marked, leave lines 30.3, 30.4, and 30.5 blank and continue with **Totals of Parts 1 and 2** instructions below; otherwise continue with Step 1 below.

**Step 1 – Lines 30.3 and 30.4, rows a (EW) and b (NYS) –** If the fixed percentage method for QFIs is in effect and you have marked to market **any** stock that is business capital under IRC section 475 or 1256 in the tax year, complete substep 1.1 below; otherwise leave lines 30.3 and 30.4 blank and continue with Step 2 below.

- 1.1. Enter on **line 30.3, row a**, 100% of dividends from stock that is business capital, provided that dividends that qualify as other exempt income should **not** be included. Enter on **line 30.4, row a**, 100% of net gains from sales of stock that is business capital; if the amount is less than zero, enter **0**.
  - 1.1.1. For **lines 30.3 and 30.4, row b**, multiply row a, for each respective line, by 8% (.08) and enter the result; however, if the result is an amount equal to zero, enter **0** in row b.



**Step 2 – Line 30.5, rows a (EW) and b (NYS)** – If the fixed percentage method for QFIs is in effect, and you have marked to market **any** partnership interest in a widely held or publicly traded partnership under IRC section 475 or 1256 in the tax year, complete substep 2.1, below; otherwise leave line 30.5 blank and continue with *Totals of Parts 1 and 2* below.

- 2.1. Enter on **line 30.5, row a**, 100% of net gains from sales of partnership interests in widely held or publicly traded partnerships; if the amount is less than zero, enter **0**.
- 2.1.1. In **line 30.5, row b**, multiply row a, for each respective line, by 8% (.08) and enter the result; however, if the result is an amount equal to zero, enter **0** in row b.

#### Totals of Parts 1 and 2

##### Step 1 – Line 30, rows a and b

- 2.1. For line 30, row a, enter the sum of the amounts in row a, lines 30.1 through 30.5.
- 2.2. For line 30, row b, enter the sum of the amounts in row b, lines 30.1 through 30.5.

#### Where are the amounts calculated on Worksheet B entered?

The amounts entered or calculated on lines 30.1 through 30.5 are used to compute the line 30 totals and do not get transferred to any other form or worksheet; the line 30 totals need to be entered on Form CT-3-S as follows:

Amount from Worksheet B	Amount is entered on
Line 30b (Total NYS)	Form CT-3-S, Part 3, line 30 NYS (column A)
Line 30a (Total EW)	Form CT-3-S, Part 3, line 30 EW (column B)

Worksheet C – Marked to market (MTM) net gains for line 28				
Part 1 – MTM net gains under §§210-A.5(a)(1) and 210-A.5(a)(2)(J) (see instructions)				
Line 10	MTM net gains from loans secured by real property			
	10a	EW		
	10b	NYS		J(ii) J(iii)
Line 12	MTM net gains from loans <b>not</b> secured by real property			
	12a	EW		
	12b	NYS	8%	J(ii) J(iii)
Line 14				
Line 16	MTM net gains from federal, NYS, and NYS political subdivisions debt			
	16a	EW		
	16b	NYS	8%	J(ii) J(iii)
Line 18	MTM net gains from other states and their political subdivisions debt			
	18a	EW		
	18b	NYS	8%	J(ii) J(iii)
Line 20	MTM net gains from government agency debt or asset-backed securities sold through an exchange			
	20a	EW		
	20b	NYS	8%	J(ii) J(iii)
Line 21	MTM net gains from all other asset-backed securities			
	21a	EW		
	21b	NYS	8%	J(ii) J(iii)
Line 23	MTM net gains from corporate bonds sold through broker/dealer or licensed exchange			
	23a	EW		
	23b	NYS	8%	J(ii) J(iii)
Line 24	MTM net gains from other corporate bonds			
	24a	EW		
	24b	NYS	8%	J(ii) J(iii)
Line 27	MTM net gains from physical commodities			
	27a	EW		
	27b	NYS	8%	J(ii) J(iii)
Line 30	MTM net gains from all “other” financial instruments of one type			
	30a	EW		
	30b	NYS	8%	J(ii) J(iii)
Line 30	MTM net gains from all “other” financial instruments of a second type			
	30a	EW		
	30b	NYS	8%	J(ii) J(iii)
Line 30	MTM net gains from all “other” financial instruments of a third type			
	30a	EW		
	30b	NYS	8%	J(ii) J(iii)
Line 30-Stk	MTM net gains from stock that is business capital			
	30a Stk	EW		
	30b Stk	NYS	8%	
Line 30-Pship	MTM net gains from partnership interests			
	30a Pship	EW		
	30b Pship	NYS	8%	

Worksheet C (continued)				
J(ii) Totals (see instructions)				
J(ii) Total EW				
J(ii) Total NYS				
Line 28	Total MTM net gains under §210-A.5(a)(2)(J)			
	28a	EW		
	28b	NYS		
Part 2 – NYS aggregate MTM factor, based on net gains from actual sales, plus J(ii) MTM net gains (see instr.)				
A	NYS			
B	EW			
C	NYS aggregate MTM factor			

**Worksheet C – Marked to market (MTM) net gains – Form CT-3-S, Part 3, line 28**

**General information**

**Note:** You must first complete Worksheets A and B, and lines 9 through 27, 29, and 30 of Form CT-3-S, Part 3; then, follow the steps below, in order, to complete Worksheet C.

This worksheet computes the amounts for Form CT-3-S, Part 3, line 28. See the Form CT-3-S, Part 3, line 28 instructions and also the specific instructions below. For purposes of Worksheet C, §210-A.5(a)(2)(J)(ii) is referred to as J(ii), and §210-A.5(a)(2)(J)(iii) as J(iii). J(ii) sources MTM net gains based on the sourcing of net gains from **actual** sales of financial instruments of the **same** type. J(iii) is used when there are **no** actual sales of a type, or the actual sales of a type resulted in a net **loss** for that type.

**Part 1** of the worksheet computes MTM net gains for those financial instruments that are **described on** Form CT-3-S, Part 3, lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and 30, **and that have been MTM**. Row b is broken out into subcolumns for lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30. For each such line, only **one** of the subcolumns will apply for that line, depending on the sourcing rule that applies for that line; the subcolumns that do **not** apply should be left **blank**.

**Part 2** of the worksheet is generally only applicable if the 8% fixed percentage method for QFIs is **not** in effect. Provided however, that if the fixed percentage method for QFIs **is** in effect, and you have MTM net gains reportable on line 10 of the worksheet, you **may** have to complete Part 2 of the worksheet, as instructed further below. Part 2 computes the NYS aggregate MTM factor. This factor is used to determine NYS MTM net gains under J(iii) in Part 1, as per the specific line instructions under *Customer-based sourcing* below.

**Line instructions for Worksheet C**

If the fixed percentage method for QFIs **is** in effect (Form CT-3-S, Part 3, line 8 box is marked), you **must** complete the steps under the *8% fixed percentage method elected* instructions below to complete Worksheet C. Do **not** complete the steps under the *Customer-based sourcing* instructions, **unless** specifically instructed to do so for a certain line.

If the fixed percentage method for QFIs is **not** in effect (Form CT-3-S, Part 3, line 8 box is **not** marked), you **must** complete the steps under the *Customer-based sourcing* instructions below to complete Worksheet C. Do **not** complete the steps under the *8% fixed percentage method elected* instructions.

Regardless of whether or not the fixed percentage method for QFIs is in effect, use a separate line 30 for MTM net gains from all “other” financial instruments of one same certain type. If you need more than three lines 30, use an additional line 30 for each separate type of “other” financial instrument for which you have MTM net gains; include the amounts from these additional lines in the same manner as you would for the three lines 30 provided on the worksheet, as you complete the steps below, as applicable.

<b>8% fixed percentage method elected</b>
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When the 8% fixed percentage method for QFIs is in effect, follow the instructions for Condition 1 or Condition 2 below, whichever applies. When Condition 1 applies, only Part 1 of Worksheet C needs to be completed, and the **Part 1, J(ii) Totals** section should be left blank. When Condition 2 applies, you may need to complete Part 2 of the worksheet and the **Part 1, J(ii) Totals** section.

**Condition 1** – If you do **not** have MTM net gains reportable on line 10 of this worksheet, complete **steps 1 and 2** below (under these *8% fixed percentage method elected* instructions) and do **not** complete any of the steps under the *Customer-based sourcing* instructions.

**Condition 2** – If you have MTM net gains reportable on line 10 of this worksheet, you must determine the amounts to enter on line 10 by completing the applicable steps under *Customer-based sourcing for line 10 only*. When Condition 2 applies:

- First, **for line 10 only**, complete **steps 1.1 through 4.1.2** under *Customer-based sourcing* (do **not** complete step 5).
- Next, complete **all of steps 1 and 2 below** (under these *8% fixed percentage method elected* instructions) for all remaining lines (including lines 30-STK and 30-Pship, if applicable).

**Step 1 – Part 1, rows a and b**

- 1.1. In **row a** (EW), lines 12, 16, 18, 20, 21, 23, 24, 27, all lines 30, 30-Stk, and 30-Pship, enter 100% of your MTM net gains for those financial instruments **described** on each such line (and described further in the corresponding line instructions for Form CT-3-S, Part 3), except that if the net amount is less than or equal to zero, enter **0**.

**Note:** Use **line 30** for MTM net gains from “other” financial instruments (§210-A.5(a)(2)(H)). If in the tax year you have MTM **any** stock under IRC section 475 or 1256, use **line 30-Stk** for MTM net gains from sales of stock that is business capital (§210-A.5(a)(2)(G)); otherwise leave line 30-Stk blank. If in the tax year you have MTM **any** partnership interest in a widely held or publicly traded partnership under IRC section 475 or 1256, use **line 30-Pship** for MTM net gains from sales of partnership interests in widely held or publicly traded partnerships (§210-A.5(a)(2)(G)); otherwise, leave line 30-Pship blank.

- 1.2. In **row b** (NYS), **subcolumn 8%**, lines 12, 16, 18, 20, 21, 23, 24, 27, all lines 30, 30-Stk, and 30-Pship, multiply row a, for each respective line, by 8% (.08) and enter the result; if the result is equal to zero, enter **0**. You must leave **row b, subcolumn J(ii)** and **row b, subcolumn J(iii)** blank for all such lines as they are not applicable when the 8% fixed percentage method sourcing is in effect for QFIs.

**Step 2 – Part 1, line 28, rows a and b**

- 2.1. For worksheet line 28, **row a**, enter the **sum** of the amounts from row a for lines 10, 12, 16, 18, 20, 21, 23, 24, 27, all lines 30, 30-Stk, and 30-Pship.
- 2.2. For worksheet line 28, **row b**, enter the **sum** of all amounts from all applicable subcolumns in row b for lines 10, 12, 16, 18, 20, 21, 23, 24, 27, all lines 30, 30-Stk, and 30-Pship.

<b>Customer-based sourcing</b>
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Parts 1 and 2 of Worksheet C need to be completed when the 8% fixed percentage method for QFIs is **not** in effect. To complete Worksheet C in this instance, follow Steps 1 through 5 below, in that order.

**Note:** Lines 30-Stk and 30-Pship should **not** be completed as these lines are not applicable when customer-based sourcing is used (§210-A.5(a)(2)(G)).

If the fixed percentage method for QFIs is in effect and you have MTM net gains reportable on worksheet line 10, then you must use customer-based sourcing for the MTM net gains **for line 10 only**. In this instance follow the instructions for **Condition 2** under the *8% fixed percentage method elected* instructions, above.

**Step 1 – Part 1, row a, and row b, subcolumn J(ii)**

- 1.1. In **row a**, lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30, enter 100% of your **MTM** net gains for those financial instruments

**described** on each such line (and described further in the corresponding line instructions for Form CT-3-S, Part 3), except that if the net amount is less than or equal to zero, enter **0**.

- 1.2. **Row b, subcolumn J(ii)** – Subcolumn J(ii), lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30, is used to compute **NYS MTM** net gains, for those financial instruments **described** on each such line, under the sourcing rules of J(ii). Follow the steps below to compute the subcolumn J(ii) amounts. Complete substeps 1.2.1 through 1.2.4 for each line (10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30):

1.2.1. If the step 1.1 amount is equal to zero, for any line, enter **0** in row b, subcolumns J(ii) and J(iii), for that line.

1.2.2. For each line for which row a is **not** equal to zero, determine if you have **actual** everywhere sales that generated a net gain during the tax year, for **that** type of financial instrument. You had **actual** everywhere sales that generated a net gain during the tax year for a specific type of financial instrument if there is an amount greater than zero reported on that type of financial instrument’s corresponding line of Form CT-3-S, Part 3, column B (EW). However, for line 30, you had **actual** everywhere sales that generated a net gain during the tax year for a type of financial instrument described in §210-A.5(a)(2)(H) if there is an amount greater than zero reported on Worksheet B, on line 30.1 (used to report the **same** specific type of financial instruments), row a.

1.2.3. For each line for which Worksheet C, row a, is **not** equal to zero, if you did have **actual** everywhere sales that generated a net gain for the same specific type of financial instrument described on such line (as determined in substep 1.2.2 above), enter in row b, subcolumn J(ii), for such line, the **product** of: the amount in row a for such line, and a fraction, the numerator and the denominator of which are determined as follows:

- For all such lines (except line 30): the numerator of the fraction for such line (except line 30) is the amount from Form CT-3-S, Part 3, column A (NYS) of the corresponding line; and the denominator of the fraction for such line (except line 30) is the amount from Form CT-3-S, Part 3, column B (EW) of the corresponding line. However, if the numerator so determined is equal to zero, enter **0**. For line 30, see the specific line 30 instructions below.
- **Line 30** – The numerator of the fraction for any specific line 30 is the amount from Worksheet B, line 30.1 (used to report the **same** specific type of financial instrument), row b (NYS). The denominator of the fraction for any specific line 30 is the amount from Worksheet B, line 30.1 (used to report the **same** specific type of financial instrument), row a (EW). However, if the numerator so determined is zero, enter **0**.

1.2.4. For each line for which row a is **not** equal to zero, if you did **not** have **actual** everywhere sales that generated a net gain for the same specific type of financial instrument described in that line (as determined in substep 1.2.2 above), leave row b, subcolumn J(ii) **blank** for that line.

**Step 2 – Part 1, J(ii) Total EW, and J(ii) Total NYS**

When you have completed Part 1, row a, and row b subcolumn J(ii), for lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30, you must next complete the **J(ii) Total** lines for EW and NYS, which are below line 30-Pship. The J(ii) totals are needed to calculate the NYS aggregate MTM factor in Part 2 of this worksheet, when applicable.

- 2.1. Enter in the **J(ii) Total EW** line, the **sum** of the **row a** amounts for all lines that have an amount entered in row b, subcolumn J(ii) even if the amount entered is zero.
- 2.2. Enter in the **J(ii) Total NYS** line, the **sum** of the row b, subcolumn J(ii) amounts for all lines that have an amount entered in row b, subcolumn J(ii).



**Step 3 – Part 2**

Part 2 of the worksheet computes your NYS aggregate MTM factor which you will need in order to complete Part 1, row b, subcolumn J(iii), when applicable.

Never include any amounts sourced under the 8% fixed percentage method election when determining the amounts to include in the sums described in these step 3 instructions.

- 3.1. **Line A** – Enter the **sum** of: the **J(ii) Total NYS** amount from Part 1 of this worksheet plus the amounts from Form CT-3-S, Part 3, column A (NYS), lines 9 through 27, 29, and 30.
- 3.2. **Line B** – Enter the **sum** of: the **J(ii) Total EW** amount from Part 1 of this worksheet plus the amounts from Form CT-3-S, Part 3, column B (EW), lines 9 through 27, 29, and 30.
- 3.3. **Line C** – Divide the line A amount by the line B amount and enter the result, rounded to four decimal places.

**Step 4 – Part 1, row b, subcolumn J(iii)**

- 4.1. **Row b, subcolumn J(iii)** - Subcolumn J(iii), lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30, is used to compute **NYS MTM** net gains, for those financial instruments described on each such line, under the sourcing rules of J(iii). Follow the steps below to compute the subcolumn J(iii) amounts. Complete substeps 4.1.1 and 4.1.2 for each line (10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30):
  - 4.1.1. For each line, if there is an amount greater than or equal to zero entered in row b, subcolumn J(ii), then leave row b, subcolumn J(iii) **blank** for that line. **Note:** When you had **actual** everywhere sales that generated a net gain for **that type** of financial instrument during the tax year, subcolumn J(ii) should have an amount entered, and subcolumn J(iii) should be left **blank**.
  - 4.1.2. For each line, if you did **not** have **actual** everywhere sales that generated a net gain for **the specific type** of financial instrument described on that line (**row b, subcolumn J(ii)** was left blank per substep 1.2.4), enter in row b, subcolumn J(iii), for that line, the **product** of: the amount in row a (EW) for that line, and the factor in Part 2, line C.

**Step 5 – Part 1, line 28, rows a and b**

- 5.1. For line 28, **row a** (EW), enter the **sum** of the amounts from row a (EW) for lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30.
- 5.2. For line 28, **row b** (NYS), enter the **sum** of all amounts from row b (NYS), subcolumns J(ii) and J(iii) for lines 10, 12, 16, 18, 20, 21, 23, 24, 27, and all lines 30.

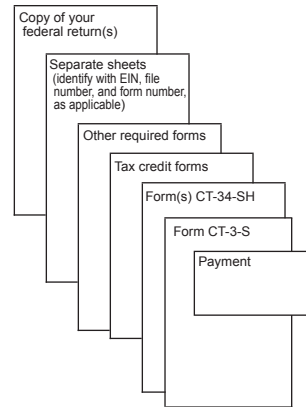
**Where are the amounts calculated on Worksheet C entered?**

The amounts entered or calculated on Part 1, lines 10, 12, 16, 18, 20, 21, 23, 24, 27, 30, 30-Stk, and 30-Pship and Part 2, lines A, B, and C are only used to compute the **line 28** MTM totals in Part 1 and do not get transferred to any other form or worksheet; the **line 28 totals** from Part 1 need to be entered on Form CT-3-S as follows:

Amount from Worksheet C	Amount is entered on
Line 28b (NYS)	Form CT-3-S, Part 3, line 28 NYS (column A)
Line 28a (EW)	Form CT-3-S, Part 3, line 28 EW (column B)

**When preparing and mailing your New York S Corporation Franchise Tax Return, be sure to:**

- Read the instructions.
- Use the correct forms and include all pages.
- Include your EIN and file number on each form filed.
- Have the appropriate individuals sign the completed return.
- Make your check or money order payable in U.S. funds to: **New York State Corporation Tax.**
- Attach Form(s) CT-34-SH and the appropriate tax credit forms.
- Attach a complete copy of your federal return(s) to Form CT-3-S.
- If you are using tax software, attach a completed copy of Form CT-2, *Corporation Tax Return Summary*.
- Assemble your return and attachments this way:



For mailing address information, see *Where to file*.