

Investment Credit - Carryover Provision

This memo is concerned with the carryover provision of the investment credit law and to illustrate how it is treated on a 1978 return where a Household Credit and other credits are claimed.

Sections 606(a),(b),(c),(d),(e), 620, 620-A, 621 and 640 of the New York Tax Law provide for credits against tax and the order in which they will be applied. The Investment Credit is the only credit, at the present time, which has a carryover provision. This means that any portion of an allowable Investment Credit for 1978, which is not absorbed on the 1978 New York State tax return, can be carried over to succeeding years.

Schedule D, on page 2 of the New York State Personal Income Tax Return, lists in proper order credits which do not have carryover provisions. Since the Household Credit must be shown on page 1 of the tax return, it is not included in Schedule D.

Investment Credit schedule IT-212 (showing the computation of the Investment Credit) must be completed and attached to the New York State tax return. The IT-212 schedule does not provide a method for indicating the amount of Investment Credit the taxpayer may be entitled to carryover to another year.

Listed below are examples to illustrate how the Investment Credit should be claimed in order to obtain full benefit of the carryover provision.

- Example 1     Facts:
- A.     Taxpayer computes Investment credit of \$100.00 on form IT-212 for 1978.
  - B.     Tax shown on line 8a, page 1 on his New York State tax return, is \$300.00.
  - C.     Household Credit is \$35.00.
  - D.     Taxpayer's total credit on line 2 of schedule D, page 2 on his New York State tax return, is \$200.00.

<u>IT-201/208</u>		<u>Schedule D, Page 2</u>	
Tax (line 8a)	\$300.00	Line 2 - Total regular credits	\$200.00
Household Credit	<u>35.00</u>	Line 3 - Investment credit	<u>*65.00</u>
Balance	\$265.00	Line 4 - Total Credits	\$265.00
Other State Credits	<u>265.00</u>		
Balance	0		

*Investment Credit computed on form IT-212 for 1978	=	\$ 100.00
Investment Credit used		<u>65.00</u>
Carryover to 1979		\$ 35.00

Example 2 Facts: Same as example 1 except that the taxpayer's total credit on line 2 of Schedule D, page 2 on his New York State return, is \$300.00.

<u>IT-201/208</u>		<u>Schedule D, page 2</u>	
Tax (line 8a)	\$300.00	Line 2 - Total regular credits	\$300.00
Household Credit	<u>35.00</u>	Line 3 - Investment Credit	*-0-
Balance	\$265.00	Line 4 - Total Credits	\$300.00
Other State Credits	<u>300.00</u>		
Balance	0		

*Investment Credit computed on form IT-212 for 1978	\$100.00
Investment Credit used	<u>0</u>
Carryover to 1979	\$100.00

Example 3 Facts: Same as example 1 except that the taxpayers's total credits on line 2 of schedule D, page 2 on his New York return, is \$165.00

<u>IT-201/208</u>		<u>Schedule D, page 2</u>	
Tax (line 8a)	\$300.00	Line 2 - Total regular credits	\$165.00
Household Credit	<u>35.00</u>	Line 3 - Investment Credit	<u>*100.00</u>
Balance	\$265.00	Line 4 - Total Credits	\$265.00
Other State Credits	<u>265.00</u>		
Balance	0		

*Investment Credit computed on form IT-212 for 1978	\$100.00
Investment Credit used	<u>100.00</u>
Carryover to 1979	0

\*Taxpayers should attach a separate schedule to their New York State tax returns showing the computation used in determining the Investment Credit carryover. This separate schedule would not be required if the taxpayer had no carryover. In all cases where an Investment Credit is claimed, form IT-212 is required to be attached to the New York State tax return.