



Important Notice

February 2006

New Enhancement to Farmers' School Tax Credit
Corrections to Instructions for Form IT-217,
Claim for Farmers' School Tax Credit

Chapter 728 of the Laws of 2005 provides an enhancement to the farmers' school tax credit. The new law, described below, applies to tax years beginning in 2005 and after.

As a result of the new law, for tax years beginning in 2005 and after, a taxpayer who is an eligible farmer will be able to claim the credit for eligible school district property taxes paid on qualified agricultural property **owned by the taxpayer's father, mother, grandfather, grandmother, brother or sister**, provided (a) the taxpayer has entered into a written agreement expressing his or her intent to eventually purchase the property and (b) the owner(s) has given the taxpayer a document stating that the owner(s) is waiving his/her right to claim the credit, if any, on the qualified agricultural property that is subject to the written agreement.

Since this legislation was pending at the time the instructions for Form IT-217, *Claim for Farmers' School Tax Credit*, were printed, the change is not reflected in those instructions. Accordingly, refer to the information below when completing your 2005 Form IT-217.

The first paragraph of Item A, Part 1, on page 2 of Form IT-217-I is revised as follows (new material is in boldface):

Item A – Mark an X in the *Yes* box if:

- (1) you owned qualified agricultural property during 2005, or
- (2) you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that owned qualified agricultural property during 2005, or
- (3) **your father, mother, grandfather, grandmother, brother, or sister owned qualified agricultural property during 2005 and (a) you have a written agreement with the owner(s) that you intend to eventually purchase that qualified agricultural property, and (b) the owner(s) has given you a document stating that the owner(s) is waiving his/her right to claim the credit, if any, on the qualified agricultural property that is subject to the written agreement. Mark an X in the *Yes* box even if you did not actually pay the school district property taxes on the qualified agricultural property.**

The written agreement does not have to be in any particular legal form but it must be signed by all parties to the agreement and must have been in effect for at least part of the tax year to which the credit relates. The waiver document does not have to be in any particular form, but it can be for only one tax year and must include (1) the name of the owner(s), (2) the name of the relative with whom the owner(s) has entered into a written agreement to sell his/her qualified agricultural property, (3) a statement that the owner(s) is waiving his or her right to claim the farmers' school tax credit, (4) the tax year to which the waiver applies (i.e., 2005), (5) the date the agreement to sell was entered into, and (6) the signature of the owner(s). The waiver document must be given to you even if the owner(s) does not qualify to claim the farmers' school tax credit on the property. Once the waiver is made for a tax year, it cannot be

revoked for that tax year, but the owner(s) may decide whether or not to issue a waiver for any subsequent tax year.

Qualified agricultural property you purchased under a land sales contract is considered owned by you if you are obligated under the land sales contract to pay the school district property taxes on the purchased property, and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

The first and second paragraphs of Item B, Part 1, on page 2 of Form IT-217-I are revised as follows (new material is in boldface):

Item B – If **(1)** you paid eligible school district property taxes on qualified agricultural property during 2005, or **(2)** you were a partner in a partnership, shareholder of a New York S corporation, or beneficiary of an estate or trust that paid eligible school district property taxes on qualified property during 2005, or **(3) your father, mother, grandfather, grandmother, brother, or sister paid eligible school district property taxes on qualified agricultural property during 2005 and you have a written agreement and waiver document as described in *Item A***, mark an **X** in the *Yes* box.

Eligible school district property taxes are real property taxes levied by a school district on qualified agricultural property **owned by you or owned by your father, mother, grandfather, grandmother, brother, or sister and (1) you have a written agreement with the owner(s) that you intend to eventually purchase that qualified agricultural property, even if you did not actually pay the school district property taxes on the qualified agricultural property, and (2) the owner(s) has given you a document stating that the owner(s) is waiving his/her right to claim the credit, if any, on the qualified agricultural property that is subject to the written agreement.** Qualified agricultural property you purchased under a land sales contract is considered owned by you if you are obligated under the land sales contract to pay the school district property taxes on the purchased property and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

The first paragraph of Part 2, Line 1 instructions on page 3 of Form IT-217-I is revised as follows (new material is in boldface):

Line 1 – Enter the total acres of qualified agricultural property **owned by you** (and your spouse if filing a joint return) during 2005, **and the number of acres owned by your father, mother, grandfather, grandmother, brother, or sister during 2005 that are covered by a written agreement and waiver document as described in *Item A***. Be sure to include the number of acres under buildings or structures that are qualified agricultural property.

The first paragraph of Part 2, Line 10 instructions on page 4 of Form IT-217-I is revised as follows (new material is in boldface):

Line 10 – Enter the eligible school taxes paid by you (and your spouse if filing a joint return) in 2005. **Also, enter the eligible school taxes paid in 2005 on property covered by a written agreement and waiver document as described in *Item A* (even if you did not actually pay the taxes on the property).**