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**Personal Income Tax Rate Increase Affects Partnerships and  
New York S Corporations Filing Group Personal Income Tax Returns for  
Nonresident Partners and Shareholders**

Partnerships and New York S corporations filing group personal income tax returns on behalf of their electing nonresident partners and shareholders must compute the New York State personal income tax due for each nonresident partner or shareholder based on the highest effective rate of tax. Recent tax law changes have increased the highest effective rate of tax from 6.85% to 8.97% for tax year 2009. Accordingly, a partnership or New York S corporation that files group estimated tax payments on behalf of its nonresident partners or shareholders may need to increase the amount of estimated tax it pays.

To avoid the penalty for underpayment of estimated tax, the total amount of estimated tax paid on behalf of each nonresident partner or shareholder must be:

- at least 90% (66 2/3% for farmers and fishermen) of the amount of income tax due as shown on the partner's or shareholder's return for 2009; **or**
- 100% of the tax shown on the partner's or shareholder's return for 2008 (110% of that amount if the partner or shareholder is not a farmer or a fisherman and the New York adjusted gross income shown on that return is more than \$150,000). To qualify for this provision, the partner or shareholder must have filed a return for 2008, and it must have been for a full 12-month year.

Under the new law, in determining whether 100% (or 110%, if applicable) of the tax shown on the 2008 return was paid, the partner's or shareholder's 2008 tax must be recomputed using the 2009 tax rates and rules.

There will be no penalty for any shortage in the partner's or shareholder's April 15, 2009, payment that is attributable to the rate change discussed in this notice, provided that the shortage is included in the June 15, 2009, payment. To determine the amount of estimated tax that must be paid on behalf of each nonresident partner or shareholder by June 15, 2009, September 15, 2009, and January 15, 2010, use revised [Form IT-2105-I](#), *Instructions for Form IT-2105, Estimated Income Tax Payment Voucher for Individuals*, available on our Web site (at [www.nystax.gov](http://www.nystax.gov)).

**NOTE:** An Important Notice is generally issued to announce a singular event, such as an update to a previously issued tax form or instruction, or to announce a new due date for filing returns and making payments of tax because of a natural disaster. The Department does not revise previously issued N-Notices.