



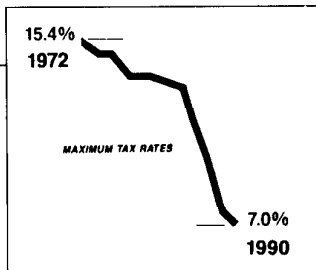
## Instructions for Form IT-203

### Changes for 1987 (see page 2)

- New York State's Tax Reform and Reduction Act
- Two-earner Married Couple Deduction
- Maximum Tax and Family Adjustment Eliminated
- New Tax Tables

### This booklet also contains:

- Instructions for Form IT-203-ATT, *Summary of Other Credits and Taxes, and Schedule A, Allocation of Wage and Salary Income*



### From the Commissioner

Major tax reform laws have been passed at both the federal and state levels. In addition, New York State has enacted the biggest income tax cut in its history, and the City of New York has provided its own tax reduction package. All of these changes will be phased in over the next few years, and taxpayers will have to pay close attention to tax planning and to the new forms and instructions that will be coming their way.

Tax reform will affect individual taxpayers differently. If you are a low-income taxpayer, you may find that you no longer have to pay federal or state income taxes even though you may still have to file a return. If in the past you have used tax shelters extensively, you may find that certain of these deductions are no longer permitted. And if you fall into the majority of middle-class taxpayers, you should see your state income taxes steadily decrease. You should also find filing your tax return much easier over the next four years.

Many taxpayers are not yet aware of just how different our state income tax system will be when all of the recently enacted changes take full effect. Not only will the maximum rate drop to 7% in 1990, but the distinction between earned income (salaries and wages) and unearned income (dividends, interest, capital gains) will be eliminated. Many credits will gradually disappear as the standard deduction rises in 1991 to \$13,000 for married couples filing joint returns and to \$7,600 for single taxpayers. Gone are the "maximum tax" form, the complicated family adjustment calculation, and the three-column form for married taxpayers filing separately on one return. Complementing state changes, New York City's maximum tax rates will be gradually reduced from the previous 4.3 percent to 3.4 percent by 1989, and the top tax bracket will be increased from \$25,000 to \$60,000 for single taxpayers and \$108,000 for married taxpayers filing a joint return in 1989.

But as we move to a fairer and simpler tax system, there will be yearly changes to tax forms and instructions. I urge you once again to carefully analyze your situation each year and to anticipate some of the changes that will be coming. You may have to change the amount of tax you have withheld from your earnings as your individual circumstances change. You should fill out the new withholding allowance form (IT-2104) to see if you have to change your New York State withholding amount.

Trained technicians on our 1 800 CALL TAX hotline are on hand to answer your questions on tax reform and all the attendant changes. And we will continue to work hard to provide all the information you need to fully benefit from tax simplification and the largest income tax reduction in state history.

*Roderick G. W. Chu*

Roderick G. W. Chu,  
Commissioner

# New York State's Tax Reform and Reduction Act of 1987

As New York's Tax Reform and Reduction Act of 1987 is fully implemented over the next four years, it will return more than \$11 billion in income taxes to state taxpayers -- including the windfall from federal tax reform.

The program consolidates many tax benefits into a larger standard deduction, eliminates the three-column tax return, and reduces paperwork and the number of tax forms.

The table below compares the tax law in 1987 (before tax reform) to 1990 when tax reform will be fully implemented.

	Before Reform 1987	1987	1988	1989	1990	With Reform Fully Implemented 1990
Top rate on earned income	9%	8.75%	8.375%	7.875%	7.375%	7%*
Top rate on unearned income	13%	8.75%	8.375%	7.875%	7.375%	7%*
Standard married deduction	\$3,800	\$5,300	\$8,500	\$9,500	\$11,250	\$13,000**
Standard head of household deduction	\$3,800	\$4,600	\$6,000	\$7,000	\$8,750	\$10,500**
Standard single deduction	\$2,800	\$3,600	\$5,000	\$6,000	\$6,750	\$7,500**
Dependent exemption amount	\$900	\$900	\$1,000	\$1,000	\$1,000	\$1,000

\*Effective October 1, 1990

\*\*Effective July 1, 1990

## Specific Changes for 1987 include:

### • Two-earner Married Couple Deduction Available on Your New York Return for 1987

New York is retaining the two-earner married couple deduction for 1987, a deduction that is no longer allowed on your federal return.

### • Instructions Simplified

Changes in the Tax Law have allowed us to make improvements to the general information and line-by-line instructions.

### • New Nonobligated Spouse Allocation Form

Form IT-280, *Nonobligated Spouse Allocation*, is now available for taxpayers who file a joint state return but do not want to apply their part of any refund to a debt owed by their spouse because they are not liable for it.

### • Employee's Withholding Allowance Certificate

Because of all the federal and state changes, a new Form IT-2104, *Employee's Withholding Allowance Certificate*, is available to help taxpayers determine if they are claiming the correct number of withholding allowances. Taxpayers should review the number of allowances they are presently claiming and decide whether they should file a new Form IT-2104 with their employer.

### • Complicated Maximum Tax and Family Adjustment Eliminated

The Tax Reform and Reduction Act of 1987 has eliminated the difficult maximum tax and family adjustment calculations and lowered tax rates.

### • New Tax Tables for Form IT-203

If you file Form IT-203 and have taxable income of less than \$50,000, you will find your tax on a new tax table, instead of figuring it yourself. Taxpayers with taxable income of \$50,000 or more must compute their tax using the schedule at the end of the tax table.

### • Additional Tax on Unearned Income

Taxpayers with New York adjusted gross incomes over \$100,000 (\$50,000 for married taxpayers filing separately) will be subject to an additional tax of up to 3% on all unearned income. Unearned income does not include capital gains.

### • Additional New Forms for 1987

IT-218.1, *Solar and Wind Energy Credit Carryover* — Taxpayers claiming any unused solar and wind energy credit from previous years use this form.

IT-2102L, *New York State Lottery Winnings* — If you received New York State lottery winnings payments and had tax withheld, New York State will give you this form showing your total payments and the amount of New York State, City of New York and City of Yonkers taxes withheld during the year.

IT-2104L, *New York State Lottery Winner's Request for Income Tax Withholding* — Recipients of New York State Lottery payments may file this form to have New York State, City of New York and City of Yonkers tax withheld from each payment.

IT-2105.6, *Estimated Income Tax for Fiduciaries* — The Tax Reform Act of 1987 requires new and existing estates and trusts to make estimated tax payments. Use this form to figure and pay your estimated tax.

### • Forms Obsolete for 1987

Form IT-217 - For 1987, the Research and Development Credit is combined with the Investment Credit on Form IT-212, making Form IT-217 obsolete.

Form IT-230.1 — Separate Tax on Lump Sum Distributions for Multiple Recipients has been eliminated for 1987. Provisions have been made on Form IT-230 for those filers of Form IT-230.1.

Form IT-250 — Maximum Tax on Personal Service Income. Tax reform has eliminated this difficult calculation and, instead, placed lower tax rates into effect.

## Undocumented Aliens May Apply for Legal Residency

If you have lived in the United States since before January 1, 1982, you may qualify for legal status. An alien legalization program is currently in progress. However, the program exists only for a limited time. You must apply for temporary residency by May 4, 1988. If you receive temporary residency, you may apply for permanent residency. For complete information on the program, including a special program for agricultural workers, call the Immigration and Naturalization Service at 1 800 777-7700.

To qualify for legal status, you must show that you have resided here and that you are financially responsible. The Tax Department can help. Copies of filed income tax returns can help supply this proof. To get copies of your state returns, write to Centralized Photocopy Unit, Department of Taxation and Finance, Building 8, Room 500, W.A. Harriman Campus, Albany, NY 12227. To get a certificate of filing your federal returns, visit or correspond with the Internal Revenue Service (IRS) Center where you filed your returns.

Also, discrimination in this country is illegal. If you think an employer has treated you unfairly because of your national origin, you can get help. Call the New York State Division of Human Rights at (212) 870-8400 or the Office of Special Counsel for Immigration-Related Unfair Labor Practices at (202) 653-8121, or write P.O. Box 65490, Washington, D.C. 20035-5490.

## Who Must File

### New York Nonresidents

You must file a New York State nonresident income tax return, Form IT-203, if you are not a resident of New York State and you meet any of these conditions:

- Your New York adjusted gross income (line 32 of Form IT-203) is more than the number of your exemptions multiplied by \$900.
- You have New York tax preference items, for minimum income tax purposes, in excess of your specific deduction. For further information, see the instructions for Form IT-220. See *Other Forms You May Have to File* (Form IT-220, *Minimum Income Tax*) on page 4 of these instructions.
- You are subject to a separate tax on any lump sum distributions derived from or connected with New York State sources. See *Other Forms You May Have to File* (Form IT-230, *Separate Tax on Lump Sum Distributions*) on page 4 of these instructions.
- You are subject to a separate tax because a PASS (parents' and students' savings) fund was terminated before April 20, 1987. See *Other Forms You May Have to File* (Form IT-270, *Tuition Deduction and Higher Education (PASS) Funds*) on page 4 of these instructions.
- You incurred a net operating loss for New York State personal income tax purposes for the taxable year without incurring a similar net operating loss for federal income tax purposes.
- You want to claim a refund of any New York State, City of New York or City of Yonkers income tax that was withheld from your pay.

### Nonresidents of New York City and Yonkers

If you are not a resident of the City of New York or City of Yonkers but you earned wages or self-employment income in either of these cities and you have to file a New York State income tax return, you must also file Form NYC-203, *City of New York Nonresident Earnings Tax Return*, and/or Form Y-203, *City of Yonkers Nonresident Earnings Tax Return*. If you are married, you cannot file jointly on Form NYC-203 and/or Form Y-203. If you each have taxable earnings, you must each file a separate Form NYC-203 and/or Form Y-203.

Forms NYC-203 and Y-203 are due the same time as your state return and must be attached to it. For more information, see the instructions for these forms.

### Partnerships

Partnerships are not subject to the New York State personal income tax but individual members of the partnership are. If your partnership has a partner who is a New York State resident or if the partnership has any income from New York State sources, it must file Form IT-204, *New York State Partnership Return*. If you were a partner, transfer your share of income (or loss), deductions and adjustments from Form IT-204 to your Form IT-203. For more information see Form IT-204-I, *Instructions for Form IT-204*. If your partnership carried on a business in the City of New York,

it may also be required to file Form NYC-204, *City of New York Unincorporated Business Tax Partnership Return*. For more information, see instructions for Form NYC-204. Forms and instructions can be obtained by calling 1 (718) 935-6000 or from the City of New York Department of Finance, City Collector, Municipal Building, Mezzanine Level, New York, N.Y. 10007. Since New York State does not administer the New York City unincorporated business tax, do not file your NYC-204 with your state return.

### Deceased taxpayers

An executor, administrator or spouse has to file a New York State return for a taxpayer who died before filing a 1987 return. If a joint federal income tax return was filed for the deceased taxpayer and the surviving spouse, a joint New York State return must be filed on Form IT-203. Complete Item D by entering the deceased taxpayer's first name and the date of death. The filing due date is the same as if the taxpayer had lived.

If you are claiming a refund for a deceased taxpayer, Form AU-281.17, *Survivor's Affidavit*, may be required. Call or write us for this form. See *How to get forms* on page 5 of these instructions.

### Members of the armed forces

If your permanent home (domicile) was outside New York State when you entered the military, you do not become a New York State resident even if you were assigned to duty in New York State and established a place of abode in New York State. If you are a New York State nonresident, your military pay is not subject to New York State tax. However, any other New York income (including your spouse's income) may be subject to tax. If your domicile is New York State but you meet all three conditions in Group A on this page and want to file for a refund of any New York State income tax withheld, file nonresident Form IT-203 and attach an explanation which contains the following information:

- A statement that you had no permanent place of abode in New York State during the taxable year, and
- The location and a brief description of the permanent place of abode you maintained outside New York State and the beginning and ending dates of your stay there, and
- The exact number of days you were in New York State during the taxable year.

If you meet all three conditions in Group B on page 4 and want a refund, file nonresident Form IT-203 and attach a statement explaining how you meet the three conditions.

For more information, see Publication 361, *Military Personnel and Veterans*.

### Part-year residents

If you became a New York State resident or moved out of New York during the year, you may have to pay the New York State income tax for that part of the taxable year you were a

New York resident. If you received income from New York State sources during the time you were a nonresident, you may also be subject to tax.

If you changed your resident status, you may have to file both a resident return (Form IT-201) and a nonresident return (Form IT-203) for the taxable year.

You will also have to complete Form IT-360, *Change of Resident Status*, and attach it to your New York returns. For more information, see Form IT-360-I, *Instructions for Form IT-360*.

### Resident and Nonresident Defined

You may have to pay income tax as a New York State resident even if you are not considered a resident for other purposes. For income tax purposes, your resident status depends on where you were domiciled and where you maintained a permanent place of abode during the taxable year.

In general, your *domicile* is the place that you intend to have as your permanent home — the place you intend to return to whenever you may be away. For income tax purposes, your domicile is the state where your permanent home is located.

**You can have only one domicile.** Your domicile does not change until you move to a new location with the sincere intention of making your permanent home there. If you move to a new location but intend to stay there only for a limited amount of time (no matter how long), your domicile does not change.

A *permanent place of abode* is a residence you permanently maintain, whether you own it or not, and usually includes a residence your spouse owns or leases. A place of abode is not permanent if you maintain it only during a temporary or limited period of time for a particular purpose.

**Resident** — You are a New York State resident if:

- a) Your domicile is not New York State but you maintain a permanent place of abode in New York and spend **184 days or more** in New York during the taxable year. However, if you are a member of the armed forces, and your domicile is not New York State, you are not a resident under this definition; or
- b) Your domicile is New York State unless you meet **all three** of the conditions in either Group A or Group B as follows:

#### Group A

- 1) You did not maintain any permanent place of abode in New York State during the taxable year; and
- 2) You maintained a permanent place of abode outside New York State during the entire taxable year; and
- 3) You spent **30 days or less** in New York State during the taxable year.

## Who Must File *(continued)*

### Group B

- 1) You were in a foreign country for at least 450 days during any period of 548 consecutive days; and
- 2) You spent 90 days or less in New York State during this 548 day period, and your spouse (unless legally separated) or minor children spent 90 days or less in New York during this 548 day period in a permanent place of abode maintained by you; and
- 3) During any period of less than one year which is in this 548 consecutive day period, (which would be treated as a separate taxable period as a result of a change of resident status during the year), you were in New York State for no more than the number of days bearing the same ratio to 90 as the number of days in the less-than-one-year-period bears to 548 days. Your status is determined by the following formula:

$$\frac{\text{No. of days in the less-than-one-year-period}}{548} \times 90 =$$

(No. of days not to be exceeded in NY to meet this condition.)

For more information, see Publication 362, *U.S. Citizens Abroad*.

**Nonresident** — You are a New York State nonresident if you do not meet the above definition of a resident.

### Joint and separate returns for married taxpayers

If you filed separate federal returns, you must each file a separate Form IT-203.

If you filed a joint federal return you generally must file a joint state return.

However, separate returns are required for some married taxpayers who file a joint federal return:

- If one of you was a New York State resident for the entire taxable year and the other was a nonresident for the entire taxable year, you must each file a separate New York return. The New York State resident must use Form IT-200 (if your joint federal return was Form 1040A) or Form IT-201 (if your joint federal return was Form 1040), the nonresident, if required to file a New York return, must use Form IT-203. However, if both of you choose to file as New York residents for the entire taxable year, you may file a joint New York State return. Use Form IT-200 if your joint federal return was Form 1040A; use Form IT-201 if your joint federal return was Form 1040.
- If both of you changed your New York State resident status, but at different times, or if only one of you had a change of resident status, you must each file a separate New York return. For more information on change of resident status, see *Part-year residents* on page 3.

## Income Subject to Tax

If you are a New York State nonresident, almost all income included in your federal adjusted gross income which is derived from or connected with New York State sources is subject to New York State tax. This includes income from:

- Real or tangible personal property located in New York;
- Services performed in New York;
- A business, trade, profession or occupation carried on in New York;
- A corporation in which you are a shareholder and which makes an election under Section 660 of the Tax Law to be taxed as a small business corporation (S corporation);
- Your distributive share of New York State partnership income or gain; and
- Your share of New York State estate or trust income or gain.

A nonresident is also subject to:

- A New York State minimum income tax on tax preference items derived from or connected with New York sources;
- A separate tax on the ordinary income portion of lump sum distributions derived from or connected with New York sources; and

- A separate tax, resulting from the termination of a PASS (parents' and students' savings) fund before April 20, 1987.
- The new additional tax on unearned income derived from or connected with New York sources.

You do not have to pay New York State tax on the following income even if it was included in your federal adjusted gross income:

- Annuities, interest, dividends or gains from the sale or exchange of intangible personal property, unless they are part of the income you received from carrying on a business, trade, profession or occupation in New York.
- Compensation you received for active service in the United States military.
- Your income as a shareholder of a corporation which did not have an election in effect to be taxed as a small business corporation (S corporation) under Section 660 of the Tax Law.
- Your distributive or pro rata share for federal income tax purposes of income, gain, loss or deduction from an insurance business doing business as a member of the New York Insurance Exchange.

## Other Forms You May Have to File

**Form IT-203-ATT, Summary of Other Credits and Taxes, and Schedule A. Allocation of Wages and Salary Income to New York State.** Complete this form if you are subject to any other New York State taxes or if you want to claim other New York State credits. You must complete Schedule A on this form if you worked both in and out of New York State for an employer, and your income is not based on the volume of business transacted. The worksheet for figuring the new additional tax on unearned income appears on page 2 of this form. It must be completed by everyone who has New York adjusted gross income in excess of \$100,000 (\$50,000 for married taxpayers filing separate returns) which includes unearned income derived from or connected with New York State sources. For more information, see *Instructions for Form IT-203-ATT* on page 20.

**Form IT-220, Minimum Income Tax.** Complete this form if you claimed ACRS depreciation, intangible drilling costs, incentive stock options, charitable contributions of appreciated property or reserves for losses on bad debts of financial institutions totaling more than the allowable specific deduction. You may have to file Form IT-220 even if you are not required to file federal Form 6251, *Alternative Minimum Tax Computation*. For more information, see the instructions for Form IT-220.

**Form IT-230, Separate Tax on Lump Sum Distributions.** Complete Form IT-230 if you have to pay a separate tax on the ordinary income portion of a lump sum distribution from a qualified retirement plan. For more

information, see the instructions for Form IT-230.

**Form IT-270, Tuition Deduction and Higher Education (PASS) Funds.** Complete this form to report the termination, before April 20, 1987, of a PASS (parents' and students' savings) fund that was established when you were a New York State resident. For more information, see Publication 320, *Tuition Deduction and the PASS Plan*.

**Form IT-399, New York State Depreciation.** Complete this form if you are an individual, partnership, estate or trust to figure your New York depreciation deduction for property placed in service during taxable years beginning in 1981, 1982, 1983, 1984 and for property placed in service outside New York State in taxable years beginning after December 31, 1984 (including property on which ACRS depreciation was figured in accordance with the federal Tax Reform Act of 1986). Also use Form IT-399 to figure your adjustment for the federal ACRS deduction and the year of disposition adjustment. For more information, see Form IT-399.

**Form IT-2105, Estimated Tax.** If you expect your 1988 tax withheld to be less than 90% of your 1988 tax and less than 100% of your 1987 tax (based upon a return covering 12 months), you may have to pay estimated tax. You do not have to pay estimated tax if you expect to owe less than \$100 of New York State or City of New York or City of Yonkers tax after deducting tax withheld and credits that you are entitled to claim. See Form IT-2105, *New York State, City of New York and City of Yonkers Estimated Income Tax*, for more information.

## Other Forms You May Have to File *(continued)*

If you paid estimated tax for 1987, you will automatically receive a 1988 estimated tax packet in the mail. If you did not pay estimated tax for 1987, or do not receive your packet by the date your first payment is due (generally April 15), call or write us for forms and instructions. See *How to get forms* on this page.

**Estates and Trusts** are required to make estimated tax payments beginning in 1988. However, estates are exempt from paying estimated tax for the first 2 years after the decedent's death. For further information on the payment of estimated tax by estates and trusts, see Form IT-2105.6, *Estimated Income Tax For Fiduciaries*.

### Changes in your federal income

If the Internal Revenue Service changes the taxable income, tax preference items, total taxable amount or ordinary income portion of a lump sum distribution, or credit for child and dependent care expenses that you reported on your federal return, and the change increases or decreases your New York State tax, you must report these changes to the New York State Tax Department within 90 days after the date the IRS makes its final determination. To report these changes, complete Form IT-115 and, if

necessary, Forms IT-115.1 (minimum income tax) and IT-115.3 (separate tax on lump sum distributions).

File these forms separately; do not attach them to any other returns.

### Amended Returns

If you file an amended federal return showing a change in your taxable income, tax preference items, total taxable amount or ordinary income portion of a lump sum distribution, or credit for child and dependent care, you must also file an amended New York State return within 90 days of the date you amend your federal return if the change increases or decreases your New York State tax.

You must also file an amended return to correct any error on your original nonresident return. To amend your original Form IT-203, get a blank Form IT-203 for that year and write "Amended" at the top of page 1. Complete the form entering the corrected information. Attach payment for any additional tax plus interest that may result from these changes. Send it to: New York State Income Tax, W. A. Harriman Campus, Albany, NY 12227-0125.

Generally, an amended return claiming credit for, or a refund of, an overpayment must be filed within three years of the date that the original return was filed, or within two years of the date the tax was paid, whichever is later. Since we cannot act on your amended return until we have completed the processing of all original returns, there may be some delay in processing your amended return.

For more information, see Publication 380, *How to Amend Your New York State Income Tax Return*.

### How to get forms

You can get forms and publications at many New York State banks and public libraries, or by using the *Forms Order Blank* in the tax packet mailed to you. You can also get forms by calling toll free 1 800 462-8100. From areas outside New York State, call (518) 438-1073. If you want to write instead of calling, address your letter to **New York State Tax Department, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany, NY 12227**.

## Reminders

### Household Credit

If you are single, with federal adjusted gross income of \$28,000 or less and cannot be claimed as a dependent on another taxpayer's federal return, you qualify for a \$20 to \$75 household credit.

If you are married, a qualifying widow(er) with a dependent child, or a head of household with qualifying person, with federal adjusted gross income of \$32,000 or less, and you cannot be claimed as a dependent on another taxpayer's federal return, you qualify for a household credit of \$15 to \$75 plus \$5 to \$15 for each exemption you claim on your return.

For more information, see page 16 of these instructions.

### Wage and tax statements

Your employer must give you a wage and tax statement — either federal Form W-2 or New York State Form IT-2102. This statement shows your total earnings and the amount of New York State, City of New York and City of Yonkers taxes withheld from your pay during the year.

You must attach Copy 2 of your wage and tax statement(s) to your return. If you have not received your statement by February 15, 1988, or if it is incorrect or lost, contact your employer.

If you received periodic annuity, pension, retired pay or IRA payments and income tax was withheld, the payer must give you a statement, either federal Form W-2P or New York State Form IT-2102P. This statement shows the amount of your gross and taxable retirement plan payments, and the New York State, City of New York and City of Yonkers tax withheld from your payments during the year.

If you received New York State lottery winnings payments and had income tax withheld at your request, the New York State Division of the Lottery will give you Form IT-2102L, *Statement for Recipients of New York State Lottery Winnings*. This statement shows your total payments and the amount of New York State, City of New York and City of Yonkers taxes withheld during the year.

### Whole dollar amounts

You may round all money items on your return to the nearest dollar. For example, round \$10.49 to \$10; round \$10.50 to \$11. If you round to the nearest dollar, round for all amounts.

### Paid preparers must sign your return

Anyone you pay to prepare your return must sign it and fill in the other blanks in the paid

preparer's area of your return. The preparer required to sign your return must sign it by hand; signature stamps or labels are not acceptable. If someone prepares your return and does not charge you, that person should not sign it.

Paid tax return preparers should get Publication 50, *Information for Paid Preparers of New York Income Tax Returns*, for more details.

### Name and social security number

You must enter your name and social security number on all forms you send to us. **If you are making a payment, write your social security number and "1987 Income Tax" on your check or money order.**

### Computer filled-in returns

If you use a computer to fill in your return, be sure you meet these requirements:

- You must use the official income tax forms that we provide. However, you may computer-generate any form as long as it complies with the guidelines in Publication 75, *Specifications for Reproduction of 1987 New York State Tax Forms*.
- Your software must conform to current federal and state income tax laws.

## Where to File

Use the preaddressed envelope that came with your tax packet. If you do not have one, address your envelope as follows:

### For refund returns —

New York State Income Tax  
W.A. Harriman Campus — REFUND '87  
Albany, NY 12227-0125

### For all other returns —

New York State Income Tax  
W.A. Harriman Campus  
Albany, NY 12227-0125

## When to File

File your return as soon as you can after January 1, 1988, but not later than **April 15, 1988**. If you file late, you may have to pay penalties and interest. See *Penalties and Interest* on this page.

**Extension of time to file** — If you know that you cannot meet the April 15 deadline, ask for an extension of time by filing Form IT-370, *Application for Automatic Extension of Time to File*. The time to file will be automatically extended for four months if you file Form IT-370 on time and, if required, pay the tax you owe with it. If you do not expect to owe any tax and you are filing Form 4868 to extend the time to file your federal return, you can also use a copy of it to extend the time to file your New York return instead of filing Form IT-370. Write "NY State Copy" in the top margin and mail it to: New York State Income Tax, Processing Division 46 C, W.A. Harriman Campus, Albany, NY 12227.

If you are traveling or living outside the United States on April 15, 1988, you are automatically granted an extension to June 15, 1988, to file your federal and state returns. For more information, see Publication 362, *U.S. Citizens Abroad*.

## Federal/State Tax Agreement

Under authority of federal and New York State laws, the New York State Department of Taxation and Finance and the Internal Revenue Service have entered into a federal/state agreement for the mutual exchange of tax information.

## Penalties and Interest

**Interest** — Daily compounded interest will be charged on income tax that is not paid on or before April 15, 1988, even if you received an extension of time to file your return.

If we have to pay interest to you because we didn't issue your refund check by July 15, 1988 (or, if your return was filed after April 15, 1988, within 3 months from the date it was filed), it also will be compounded daily. However, we will not pay interest to you if your return cannot be processed. To be processed, your return must show your name, address, social security number, signature and the information needed to mathematically verify your tax liability.

**Late filing penalty** — If you file late, you will be charged a penalty of 5% of the tax due for each month, or part of a month, the return is late (maximum 25%) unless you extend the time to file or attach to your return an explanation showing reasonable cause for the delay. If your return is more than 60 days late, the penalty will be the lesser of \$100 or 100% of the amount required to be shown as tax due on the return, reduced by any tax paid and by any credit which may be claimed. For information on getting an extension of time to file your return, see *When to File* on this page.

**Late payment penalty** — If you do not pay your tax when due, you will be charged a penalty of 1/2 of 1% of the unpaid amount for each month or part of a month it is not paid (maximum 25%). This penalty is in addition to the interest charged for late payments.

This penalty may not be charged if you attach to your return an explanation showing reasonable cause for paying late.

### If you figure your tax incorrectly —

You may have to pay a penalty if the tax you report on your return is **less** than your correct tax. If you are off by more than 10% or \$2,000, whichever is more, you may have to pay this

penalty. The penalty is 10% of the difference between the tax you reported and the tax you actually owe.

**Underpayment of estimated tax penalty** — If your 1987 withholding and estimated tax payments do not equal at least 80% of your 1987 tax or 100% of your 1986 tax (based upon a return covering 12 months), you may be subject to a penalty for underpayment of estimated tax. Attach Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals*, to show how you figured the penalty, or which exceptions to the penalty apply. For more information, see the instructions for Form IT-2105.9.

**Negligence penalty** — If your return does not show all of the tax imposed under the Tax Law, its rules or regulations, due to negligence or intentional disregard but not with intent to defraud, you will be charged a penalty of 5% of any deficient amount. In addition, 50% of the interest due on any underpayment resulting from negligence will be added to your tax.

**Fraudulent returns** — If any part of a deficiency is due to fraud, you will be charged a penalty of 50% of the deficiency. In general, a deficiency is the difference between the correct tax and the tax shown on your return. In addition, 50% of the interest due on any deficiency resulting from a fraudulent act will be added to your tax.

**Frivolous returns** — A penalty of up to \$500 will be imposed on any person who files a frivolous tax return. A return is considered frivolous when it does not contain information needed to judge the correctness of the tax return, or reports information that is obviously and substantially incorrect, and intended to delay or impede the administration of Article 22 of the Tax Law and/or the processing of the return.

## Privacy Notification

The authority to request this personal information from you or your employer, including identifying numbers (Social Security numbers, etc.), is found in Sections 651, 652, 658, 697, 1306, 1332 and 1342, Articles 22, 30, 30-A and 30-B in general of the Tax Law, Article 2-E of the General City Law, and Part 152 of the Personal Income Tax Regulations. The principal purpose for which the information is collected is to assist the Department of Taxation and Finance in determining New York State personal income tax liabilities under Article 22 of the Tax Law, New York City personal income tax liabilities under Article 30 of the Tax Law and Article 2-E of the General City Law, and City of Yonkers income tax surcharge on residents and earnings tax on nonresidents under Articles 30-A and 30-B of the Tax Law. The authority to maintain this information is found in Section 697(e) of the Tax Law and Section 152.8 of the Personal Income Tax Regulations.

The information will be used for tax administration purposes and as necessary under Tax Law Sections 171-a, 171-b, 171-c, 171-d, 171-e and 697 and for any other purpose authorized by law, and when the taxpayer gives written authorization to this department for another department, person, agency or entity to have access, limited or otherwise, to information contained in the return.

Failure to provide the requested information may result in civil penalties under Section 685, 1312, 1332 and 1342 of the Tax Law and/or criminal penalties under Article 37 of the Tax Law.

This information will be maintained by the Director, Accounting and Records Management Bureau, Processing Division, Department of Taxation and Finance, W. A. Harriman Campus, Building 8, Room 905, Albany, New York 12227, telephone 1 800 CALL TAX (1 800 225-5829); from outside New York State, call (518) 438-8581.

## Steps for Preparing Your Return

**Prepare your federal return first; much of the information on your New York State nonresident return will be the same.** In many cases when New York State and federal tax laws are similar, the New York instructions do not repeat all the requirements, but instead, explain the differences.

### Step 1

**Get all forms, schedules and publications you need.**

If you need any forms or publications, see *How to get forms* on page 5.

### Step 2

**Get your tax records together.**

If you received a salary or wages, get all your 1987 wage and tax statements together. These can be either New York Form IT-2102 or federal Form W-2. Only your employer can issue or correct these forms. If you have not received your wage and tax statements by February 15, or if the form you received is incorrect, contact your employer.

If you had tax withheld from annuities, pensions, retired pay or IRA payments, get together all of your New York Form(s) IT-2102P or federal Form(s) W-2P. If you had tax withheld from lottery winnings payments, you will need your New York State Form IT-2102L.

If you made payments during the year for your New York State, City of New York, or City of Yonkers estimated tax, check your payments or credits that were applied to your 1987 tax year.

If you plan to take any credits or deductions, get all the supporting information and records you will need.

### Step 3

**Fill in your return.**

Fill in your return using the line-by-line instructions for Form IT-203 that begin on page 8. Then continue with Step 4 on page 19.

## Need Help?

We will answer your tax questions if you call us (see *Information* below), but we cannot fill in your return for you.

### Information

For **information** or answers to your New York State tax questions, call toll free **1 800 CALL TAX (1 800 225-5829)**. From areas outside New York State, call (518) 438-8581. Telephone assistance is available from 8 a.m. to 5 p.m. Monday through Friday. To make sure that Tax Department employees give courteous responses and correct information to taxpayers, a second Tax Department employee sometimes monitors telephone calls. No record is kept of any taxpayer's name, address or social security number.

If you have a question about the status of your refund check, see *When to call about your refund* below.

If you want to write instead of calling, address your letter to **New York State Tax Department, Taxpayer Assistance Bureau, W. A. Harriman Campus, Albany, NY 12227**.

### New York State tax information on federal Tele-Tax System

This year New York State is participating in a pilot program with the Internal Revenue Service. New York State income tax information is available on the federal Tele-Tax Toll-free System. This program is being tested in the Buffalo Internal Revenue Service District only. Taxpayers calling from area codes 607, 716 or 315 may call the Internal Revenue Service toll-free tele-tax number 1 800 554-4477 to use this service.

### When to call about your refund

Generally, early filers get their refund checks first. However, if you file after April 1, you may not receive your refund check for at least 12 weeks. If you have to call to ask where your refund check is, please wait until after April 15; then call toll free 1 800 443-3200. From areas outside New York State, call (518) 438-6777.

### Trying to resolve a problem with the Tax Department?

New York State has a Problem Resolution Program for taxpayers who have been unable to resolve a problem with the Tax Department. If you have a tax problem and have made **two or more** attempts to resolve it without success, you may seek help from one of our Problem Resolution Officers (PROs).

You may call or write to the PRO serving your area. You can get the address and telephone number by calling us (see *Information* on this page).

# Line-by-Line Instructions – Form IT-203

All information on your return, except for your mailing address, should be for the calendar year January 1 through December 31, 1987, or for your fiscal year. If you are filing for a fiscal year, enter the month and day your tax year began, and the month, day and year that it ended at the top of page 1.

Make your entries in the **white** areas of Form IT-203.

## Name and Address Box

**Do not write in this box or attach your mailing label until you have completed and checked your return.**

Step 5 on page 19 of these instructions will tell you how to complete this section of your return.

## Item A

### Filing status

Show your filing status by checking only **one** box. If you filed a federal return, you must use the same filing status for your New York nonresident return. If you did not have to file a federal return, use the same filing status that would be allowed for federal income tax purposes. However, married taxpayers who file a joint federal return and who are both required to file a New York State return must file separate New York State returns (filing status ③) if either of the following apply:

- One of you was a New York State resident for the entire taxable year and the other was a nonresident for the entire year, unless both of you elect to file jointly (filing status ②) as if you were residents for the entire taxable year.
- One or both of you had a change of resident status and your periods of New York State residency were different. For more information on change of resident status, see *Part-year residents* on page 3.

## Item B

### Can you be claimed as a dependent?

If you can be claimed as a dependent on another taxpayer's 1987 federal return (see the federal instructions), check the **Yes** box. If not, check the **NO** box.

## Item C

### Part-year residents

If you were a permanent New York State resident for part of the year, enter in the box the number of full months that you were a New York State resident. Count as a full month any period of more than one-half month; do not count a period of one-half month or less. If you changed your resident status, complete Form IT-360 and attach it to your Form IT-203. For more information, see *Part-year residents* on page 3 of these instructions.

## Item D

### Deceased taxpayer

If the taxpayer is deceased, enter the first name and the date of death in the spaces provided.

## Federal Income and Adjustments

Lines 1 through 18 are a summary of the items that make up your total income (federal adjusted gross income). As a New York State nonresident, you have to pay New York State tax on income included in your federal adjusted gross income that is derived from or connected with New York State sources. The Federal Amount column lists the items which make up your federal adjusted gross income. The New York State Amount column is used to figure your total income from New York sources.

Enter in the Federal Amount column the total amount reported on your federal return for each of the items listed. Enter in the New York State Amount column the part of each amount in the Federal Amount column that is derived from or connected with New York State sources (see *Income Subject to Tax* on page 4 to determine what constitutes income derived from or connected with New York State sources.)

If you checked filing status ② and one spouse had no income from New York State sources, enter in the Federal Amount column the combined amount of each item of income that you and your spouse included in your joint federal return. The New York State Amount column should be completed for the spouse who had income from New York State sources.

You do not have to attach an explanation of how you figured amounts reported on lines 1 through 18 unless the total of the New York State Amount column does not equal the total of the Federal Amount column.

## Line 1

### Wages, salaries, tips, etc.

**Federal Amount column** — Enter the amount of your wages, salaries, fees, bonuses, commissions, fringe benefits, tips, etc., reported on your 1987 federal return even if they were not reported by your employer on a wage and tax statement.

**New York State Amount column** — Enter the part of the federal amount that is for services performed in New York State.

**Income earned only partly inside New York State** — If any amount included in the Federal Amount column, line 1, is income earned only partly inside New York State, figure the

amount earned inside New York State by completing Schedule A on page two of Form IT-203-ATT (unless your compensation is based upon the volume of business transacted). The amount allocable to New York State is that part of the income that bears the same ratio to total income that the number of days worked in New York State bears to the total number of days worked both inside and outside New York State.

Working days are days on which you have to perform the usual duties of your job. This does not ordinarily include duties performed at your home. Nonworking days are holidays, sick leave, vacations, Saturdays, Sundays, etc.

**Form IT-203-ATT, Page 2, Schedule A – Allocation of Wage and Salary Income to New York State.**

**Failure to complete Schedule A and attach it to your Form IT-203 will result in a delay in the processing of your return.**

Enter on line a of Schedule A any amount included on line 1, in the Federal Amount column, which was earned only partly inside New York State. Then complete lines b through f and use the allocation formula on line g to find the amount of wage or salary income you earned in New York State. Include this amount on line 1, in the New York State Amount column.

If more than one amount included in the Federal Amount column of line 1 is to be allocated on Schedule A, a separate schedule (similar to Schedule A) showing the working days that apply to each employment must be prepared for each amount and attached to your return. If the period of employment is less than a full year, the items entered on Schedule A must be based on the actual period of employment. For example, if you were employed inside and outside New York State for separate periods of 170 days by one employer and 195 days by another employer, enter 170 days and 195 days on line b of your separate allocation schedules.

If your income to be allocated depends entirely on the volume of business transacted, as in the case of a salesperson working on commission, do not use Schedule A. In this case, the amount of income you can allocate to New York State is that part of the income included in the Federal Amount column on line 1 that bears the same ratio to total income to be allocated as the volume of business transacted inside New York State bears to the total volume of business transacted both inside and outside New York State. The location where services or sales activities were actually performed determines where business was transacted. Attach a schedule to your return showing how you figured your New York State income based on the volume of business transacted.

If you allocate your personal service income differently than explained above, attach a separate schedule showing complete details.



## Line 2

### Taxable interest income

Enter in the Federal Amount column the taxable interest income reported on your federal return.

Enter on line 2, in the New York State Amount column, the part of this interest income that is from the receipts of a business, trade, profession or occupation carried on in New York State and not otherwise exempt from New York State income tax. If you conduct business both inside and outside New York State, see instructions for line 6.

## Line 3

### Dividend income

Enter in the Federal Amount column the amount of dividends reported on your federal return. Enter in the New York State Amount column the portion of your dividends (Federal Amount column) that is part of the receipts of a business, trade, profession or occupation carried on in New York State and not otherwise exempt from New York State income tax. See instructions for line 6 relative to the business allocation percentage if business is carried on both inside and outside New York State.

## Line 4

### Taxable refunds of state and local income taxes

Enter in the Federal Amount column the total taxable state and local income tax refunds included as income on your federal return. Enter in the New York State Amount column the amounts derived from or connected with New York State sources. Also enter these amounts on line 23.

## Line 5

### Alimony received

Enter in the Federal Amount column the total alimony received as reported on your federal return.

## Line 6

### Business income or (loss)

Enter in the Federal Amount column the amount included as business income or (loss) on federal Form 1040. Enter in the New York State Amount column any amount included in the Federal Amount column which represents the profit (or loss) from a business or profession carried on in New York State. **Attach a copy of federal Schedule C.**

**Business carried on** — Your business, trade, profession or occupation (not including personal service as an employee) is considered to be carried on in New York State if you have, maintain, operate or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency or other place where your affairs are regularly carried on in New York State. This definition is not exclusive. Your business is considered to be carried on in New York State if it is transacted here with a fair measure of permanency and continuity.

### Business carried on both inside and outside

**New York State** — If your business or profession is carried on both inside and outside New York State and you maintain accounts clearly reflecting income from the New York operations, enter the net profit or loss from business carried on in New York State on line 6 in the New York State Amount column.

If the New York State income of the business cannot be determined from your books, income from business carried on both inside and outside New York State must be allocated according to a prescribed formula or an approved alternative method. Form IT-203-A, *Nonresident Business Allocation Schedule*, containing the statutory formula and other instructions pertaining to the allocation of business income, must be completed for this purpose and attached to Form IT-203. If you submit an alternative method of allocation, you must also complete Form IT-203-A and submit all information about your own method of allocation.

Self-employed individuals who carry on a trade, business or profession in the City of New York may also be required to file Form NYC-202, *City of New York Unincorporated Business Tax Return*. For more information, see *Instructions for Form NYC-202*. You can get forms and instructions by calling 1 (718) 935-6000 or from the City of New York Department of Finance, City Collector, Municipal Building, Mezzanine Level, New York, New York 10007. Since New York State does not administer the New York City unincorporated business tax, **do not** file your NYC-202 with your state return.

## Line 7

### Capital gain or (loss)

Enter in the Federal Amount column the net gain or (loss) from the sale or exchange of property (including securities) exactly as reported on federal Form 1040. **Attach a copy of federal Schedule D.**

### Capital transactions from New York sources

— Include capital gains or losses derived from real or tangible personal property located within New York State, whether or not connected with a trade or business, and capital gains or losses from stocks, bonds and other intangible personal property used in or connected with a business, trade, profession or occupation carried on in New York State. Also include your share of any capital gain or loss derived from New York sources of a partnership of which you are a member (from Form IT-204), an estate or trust of which you are a beneficiary (from Form IT-205 or IT-205-A) or an electing New York State S corporation of which you are a shareholder (from Form CT-3S). If any capital gains or losses are from business property (other than real property) of a business carried on both inside and outside New York State, apply the business allocation percentage (Form IT-203-A) or alternate method in determining the New York capital gain or loss. Gains and losses from the sale or disposition of real property are not subject to allocation. In all cases, use the federal basis of property in computing capital gains or losses.

**Capital transactions** — Figure the amount to be included on line 7, New York State Amount column, as net capital gain or loss from New York State sources in accordance with federal provisions for determining capital gains and losses. This includes a deduction for any capital loss carryover from New York State sources. Use a copy of federal Schedule D (Form 1040) as a worksheet in determining your New York net capital gains or loss, including in your computations only transactions that were from New York State sources. If these computations result in a net capital loss for New York State purposes, the loss is limited to \$3,000 (\$1,500 if you are married and filing separately) on the New York State return. Any balance of a 1987 net capital loss (in excess of the amount claimed on the 1987 return) will be treated as a carryover loss to be claimed on returns for later years.

## Line 8

### Other gains or (losses)

Figure the amount(s) to be included on line 8, in the New York State Amount column, as the gain or loss from the sale or exchange of noncapital assets by applying the federal provisions for determining gains or losses from the sale or exchange of other than capital assets to your New York State transactions. Attach a copy of federal Form 4797.

### Noncapital transactions from New York State sources

are those noncapital transactions includable in your federal return pertaining to property used in connection with a trade, business, profession or occupation carried on in New York State. Also included is your share of any noncapital gain or loss from a partnership of which you are a member (from Form IT-204) or an estate or trust of which you are a beneficiary (from Form IT-205 or IT-205-A) or an electing New York State S corporation of which you are a shareholder (from Form CT-3S). Use Form IT-203-A if allocation is required.

## Line 9

### Taxable amount of pensions, IRA distributions and annuities

Enter in the Federal Amount column the amount reported on your federal return. Enter in the New York State Amount column amounts derived from or connected with New York State sources and subject to New York State tax. See the instructions for line 27 on page 13 for information regarding the pension and annuity income exclusion.

## Lines 10 and 11

### Rents, royalties, partnerships, estates, trusts and S corporations

Enter in the Federal Amount column the total amount from these sources as reported on federal Form 1040 or on any related federal schedules.

Enter in the New York State Amount column the portion of the federal amount derived from or connected with New York State

sources, considering the instructions below relating to each type of income. **Attach a copy of federal Schedule E.**

**Rent and royalty income** — Include in the amount you report on line 10 in the New York State Amount column rents and royalties from (1) real property located in New York State whether or not used in connection with a business, (2) tangible personal property not used in a business if such property is located in New York State and (3) tangible and intangible personal property used in or connected with a business, trade, profession or occupation carried on in New York State.

If a business is carried on both inside and outside New York State, apply the business allocation percentage (Form IT-203-A) or alternate method, to items included in (3) in the preceding paragraph to determine the income from New York State sources. However, do not allocate income from real property. That income must be entirely included if the real property is located in the New York State and entirely excluded if the real property is located outside New York State.

Include in the amount you report on line 10 in the New York State Amount column your share of any rental or royalty income from a partnership of which you are a member (from Form IT-204) or an estate or trust of which you are a beneficiary (from Form IT-205 or IT-205-A).

**Partnerships** — Your distributive share of partnership income to be included in the amount reported on line 11 in the New York State Amount column must be obtained from Form IT-204. If your distributive share includes any other items of partnership income taxable to a nonresident, those items must be included elsewhere in the New York State Amount column on the appropriate lines. For example, your share of a partnership New York capital gain would be included in determining the amount to be reported on line 7.

**Estates and trusts** — Your share of estate or trust income from New York State sources must be obtained from Form IT-205 or from Form IT-205-A. If your share includes any items of taxable estate or trust income from New York State sources not reported on line 11, those items should be included elsewhere in the New York State Amount column on the appropriate line describing that income.

**S corporation shareholders** — Your pro rata share of an electing New York S corporation's items of income and loss must be obtained from Form CT-3S, *S Corporation Information Report*. If your share includes any other items of income, such as dividends or capital gains, those items must be included elsewhere in New York State Amount column on the appropriate lines. If the corporation carried on business both inside and outside New York State, the corporation's business allocation percentage and investment allocation percentage, determined under Article 9-A, must be used to figure the amount of your income or loss that was derived from connected with New York State sources.

## Line 12

### Farm income or (loss)

Enter in the Federal Amount column the amount of farm income or (loss) reported on federal Form 1040, and attach a copy of your federal Schedule F.

Enter in the New York State Amount column the profit or loss from farming carried on in New York State.

The instructions for reporting business income (line 6), including the instructions for reporting when business is carried on both inside and outside New York State, also apply to reporting farm income.

## Line 13

### Unemployment compensation (insurance)

Enter the amount reported on your federal return in the Federal Amount column. Enter in the New York State Amount column the amount of taxable unemployment compensation derived from or as the result of employment in New York State.

If the unemployment compensation received from New York State sources is based on wage or salary income earned partly inside and partly outside New York State, figure the amount allocable to New York State in the same manner as the wage and salary income on which it is based.

## Line 14

### Taxable amount of social security benefits

Enter in the Federal Amount column the taxable amount of social security or tier 1 railroad retirement benefits that you reported on your federal return. Do not enter any amount in the New York State Amount column.

## Line 15

### Other income

Enter in the Federal Amount column the amount of other income as reported on federal Form 1040. Enter in the New York State Amount column the amount derived from or connected with New York State sources.

If you have a New York net operating loss (without a corresponding federal net operating loss) that you are carrying forward to 1987, enter the amount of the loss in the New York State Amount column on line 15 as a minus amount. Attach a statement explaining the loss.

## Line 16

### Total

Add lines 1 through 15 of each column, and enter the totals on line 16.

## Line 17

### Total federal adjustments to income

Enter in the Federal Amount column the total adjustments as reported on federal Form 1040, line 29. These include reimbursed employee business expenses, IRA deduction, spouse's IRA deduction, as well as others.

If you did not have to file a federal return, claim the same adjustments to income that you would have claimed for federal income tax purposes.

Write each adjustment and its amount in the white area on line 17. If more room is needed, make a list showing each adjustment and its amount and attach the list to your New York return.

Enter in the New York State Amount column the part of the federal amount which represents adjustments connected with income from New York State sources.

The following formula must be used to figure the deduction allowed for alimony:

$$\frac{\text{New York State Amount column, line 31 (without alimony deduction)}}{\text{Federal Amount column, line 31 (without alimony deduction)}} \times \text{Federal alimony deduction} = \text{New York alimony deduction}$$

Any adjustment item that relates to wage or salary income earned only partly inside New York State or to income from a business which is carried on both inside and outside New York State must be allocated to New York State on the same basis as the income to which it relates.

**Example** — You are allowed an adjustment of \$800 on your federal return for payments by a self-employed person to a retirement plan, and these payments were made in connection with a business you operated both inside and outside New York State.

If, in determining your business income from New York State sources, you figure your business allocation percentage to be 75% (see instructions for line 6), then 75% of this adjustment, or \$600, should be included in the New York State Amount column on line 17.

## Line 18

### Adjusted gross income (federal)

Subtract line 17 from line 16 in each column and enter the result on line 18.

The amount in the Federal Amount column must be the same as the adjusted gross income reported on your federal return.

## New York Adjustments/ New York Adjusted Gross Income

Enter on lines 19 through 30 any of the listed additions to or subtractions from your adjusted gross income (federal). For more information on additions and subtractions, see Publication 382, *How to Figure Your New York Additions and Subtractions*.

Figure the additions and subtractions that you enter in the Federal Amount column as if you were a New York State resident. Enter in the New York State Amount column the part of each amount in the Federal Amount column that is derived from or connected with New York State sources.

If the items are not income, gains, losses or deductions from New York State sources, enter them in the Federal Amount column **only**. The items that you would enter **only** in the Federal Amount column are on line 21 (items A-18 through A-21), line 25, line 26 and line 29 (items S-17 through S-23).

**Partners** — If you have income from a partnership, include any New York additions and subtractions which apply to that income. Determine your share of partnership additions and subtractions from the partnership return, Form IT-204.

**Beneficiaries (estates and trusts)** — If you have income from an estate or trust, any New York additions and subtractions which apply to that income, as well as any additions to or subtractions from federal itemized deductions will be shown in your share of a single fiduciary adjustment. If the adjustment is a net addition, enter this amount on line 21. If the adjustment is a net subtraction, enter this amount on line 29. Identify this item as a *fiduciary adjustment*.

**S corporation shareholders** — If you are a nonresident and a shareholder of an electing New York S corporation, your federal adjusted gross income must be adjusted by your pro rata share of any of the following additions or subtractions that relate to your pro rata share of S corporation items of income, loss or deduction derived from or connected with New York State sources. Additions A-18 and A-19 and subtraction S-17 do not apply to you since they apply only to nonelecting S corporations. If the election to treat the corporation as a New York S corporation terminated during the taxable year, you must allocate those items (see Publication 382 for more information). Obtain your share of S corporation items of income, loss and deduction from the S corporation's Form CT-3S.

If you are a shareholder of a federal S corporation that did not elect to be a New York S corporation, include additions A-18 and A-19 and subtraction S-17 in the Federal Amount column only. If you were not eligible to make this election to treat your corporation as a New York S corporation because the corporation was not subject to Article 9-A franchise tax, include any of the following additions and subtractions that apply to your pro rata share of S corporation items of income, loss or deduction in the Federal Amount column only. Additions A-16, A-18, A-19 and A-20, and subtractions S-17 and S-22 do not apply to you since they apply only to electing and non-electing New York S corporations.

## New York Additions

The additions on lines 19 and 20 and items A-1 through A-17 on line 21 are income items from New York State sources only to the extent that such items are attributed to a

business, trade, profession or occupation carried on in New York State or are from real or tangible personal property located in New York State. Apply your business allocation percentage from Form IT-203-A to those additions (except real property items) that are part of the receipts of a business carried on both inside and outside New York State. Include your figures from Form IT-203-A on the appropriate lines.

## Line 19

### Interest income on state and local bonds other than New York State

Enter any interest income on state and local bonds (except those of New York State and its political subdivisions) that you received or that was credited to you during 1987, if it was **not** included in your federal adjusted gross income.

## Line 20

### Accelerated cost recovery system (ACRS) deduction

Enter your accelerated cost recovery system (ACRS) deduction from Form IT-399, line 1, column G (Section 612(b)(25) of the Tax Law). This adjustment must be made for property placed in service during taxable years beginning in 1981, 1982, 1983 and 1984. It also must be made for property placed in service outside New York State in taxable years beginning after December 31, 1984 (including property on which ACRS depreciation was figured in accordance with the federal Tax Reform Act of 1986), except for property subject to the provisions of Section 280F of the Internal Revenue Code (such as luxury automobiles). Also, see the instructions for line 28 on page 13 of this booklet.

## Line 21

### Other additions

Identify any of the following additions that apply to you by writing the item number and the amount of each addition in the *white* area on line 21.

**A-1** Interest or dividend income received by you or credited to you during 1987 on bonds or securities of any United States authority, commission or instrumentality that federal laws exempt from federal income tax but not from state income taxes (Section 612(b)(2) of the Tax Law).

**A-2** Income taxes that were deducted from your federal gross income in figuring your federal adjusted gross income (Section 612(b)(3) of the Tax Law). For example, if you operated a business and deducted income taxes on your federal return as an expense of doing business, include these taxes on line 21.

**Partners** — Include on line 21 your distributable share of income taxes deducted in figuring net income.

**A-3 Professional service corporation shareholder** — Certain employee benefits you received if you were a shareholder of a professional service corporation (including shareholders of professional service corporations organized outside New York State but authorized to conduct business in New York State under Article 15-A of the Business Corporation Law). These benefits

include certain corporate contributions to pension, employee annuity, stock bonus, profit sharing or bond purchase plans in excess of \$15,000 or 15% of earned income, whichever is less. They also include 5.70 percent of your wages from the corporation that are subject to social security taxes (Section 612(b)(7), and (8) of the Tax Law).

**Professional service corporations are required by law** to furnish each shareholder with Form IT-2102.1-PC, *Professional Service Corporation Information Return*, reporting payments of the above benefits.

**A-4** Interest expense on loans used to buy bonds and securities (whose interest income is exempt from New York State tax) if you made a deduction for this interest expense in figuring your federal adjusted gross income. Also include on line 21 amortization of bond premiums whose interest income is exempt from New York State tax and expenses relating to income exempt from New York State tax, if you made a deduction in figuring your federal adjusted gross income (Sections 612(b)(4) and (5) of the Tax Law).

**A-5** The amount of special additional mortgage recording tax that was excluded or deducted in figuring your federal adjusted gross income to the extent the credit was taken (Section 612(b)(4)(15) of the Tax Law). For information about the special additional mortgage recording tax credit, see *Instructions for Form IT-203-ATT*, line 4, on page 20 of these instructions.

**A-6** The amount of special additional mortgage recording tax you paid when the property for which the tax was paid is sold or disposed of at a gain or loss and the basis of such property was not adjusted for the special additional mortgage recording tax credit (Section 612(b)(16) of the Tax Law).

**A-7** Any amount that has to be added to your federal adjusted gross income if you made an election for tax years beginning before 1987 for additional depreciation or research and development expenditures, waste treatment facility expenditures, air pollution control equipment expenditures or acid deposition control equipment (Section 612(b)(6) of the Tax Law). See subtraction item S-9 on page 14 of these instructions.

**A-8** Any deduction for percentage depletion on mines, oil and gas wells and other natural deposits made in figuring your federal adjusted gross income (Section 612(b)(10) of the Tax Law). See subtraction item S-8 on page 14 of these instructions.

**A-9** Any gain which would have been realized for New York State tax purposes from the sale or other disposition of property acquired from a decedent and valued by the executor under New York State Tax Law because the estate had an insufficient amount of assets to require the filing of a federal estate tax return (Section 612(b)(17) of the Tax Law).

**A-10 PASS Funds** — 110 percent of the value of the assets of a higher education (PASS) fund terminated before April 20, 1987, from Form IT-270, line 24. If terminated on or after April 20, 1987, do not make this addition. For more information on PASS funds, see Publication 320, *Tuition Deduction and the PASS Plan*.

**A-11 New business investment-deferral recognition** — The amount of capital gain deferred on the sale of a capital asset if the new business investment property is sold and the proceeds are **not** reinvested again in a New York new business within 12 months (Section 612(b)(22) of the Tax Law). If only a part of the proceeds were reinvested, see Publication 382 for information on figuring your addition.

**A-12 Safe harbor leases** — The amount that was deducted in figuring your federal adjusted gross income (except for mass transit vehicles) solely because of an election made under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984 (Section 612(b)(23) of the Tax Law).

**A-13 Safe harbor leases** — Any amount that would have been included in federal adjusted gross income (except for mass transit vehicles) had the election under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, **not** been made (Section 612(b)(24) of the Tax Law).

**A-14 Accelerated cost recovery property — Year of disposition adjustment** — In the year that you dispose of property, the amount by which the total depreciation allowed for New York State purposes is greater than your total federal accelerated cost recovery deductions on that property (including ACRS depreciation figured in accordance with the federal Tax Reform Act of 1986) (Section 612(b)(27) of the Tax Law). Use Form IT-399, *New York State Depreciation*, to figure your adjustment. See subtraction S-15 on page 14 of these instructions.

**A-15 Tax on petroleum businesses** — The amount of gross receipts tax imposed on petroleum businesses under Article 13-A of the Tax Law that was deducted in figuring your federal adjusted gross income (Section 612(b)(28) of the Tax Law).

**A-16 S corporation shareholders** — If you are a shareholder of an S corporation for which the election to be a New York S corporation is in effect for the taxable year, your pro rata share of the corporation's reductions for taxes described in Section 1366(f)(2) and (3) of the Internal Revenue Code (Section 612(b)(18) of the Tax Law).

**A-17 Solar and wind energy systems** — The amount of New York State solar and wind energy credit you claimed for residential property later sold or disposed of at a gain if the basis of that property included the cost of your energy system (Section 606(g) of the Tax Law).

**Addition items A-18 through A-21 apply only to the Federal Amount column since the income to which these items relate is not regarded as being derived from New York State sources. Do not include these items in the New York State Amount column.**

**A-18 S corporation shareholders** — If you are a shareholder of an S corporation for which the election to be a New York S corporation was **not** in effect for the taxable year, any S corporation loss or deduction

taken into account in figuring your federal adjusted gross income pursuant to Section 1366 of the Internal Revenue Code. (Section 612(h)(19) of the Tax Law).

**A-19 S corporation shareholders** — S corporation distributions not included in federal adjusted gross income due to the application of Sections 1368, 1371(e) or 1379(c) of the Internal Revenue Code, and not previously subject to New York personal income tax because the election to be a New York S corporation was **not** in effect (Section 612(b)(20) of the Tax Law). The Internal Revenue Code sections mentioned above refer to distributions, cash distributions during post termination transition period and distributions of undistributed taxable income, respectively.

**A-20 S corporation shareholders** — Where gain or loss is recognized on a shareholder's federal income tax return due to the disposition of stock or indebtedness of an S corporation that did not have an election to treat the corporation as a New York S corporation in effect for any taxable year beginning after December 31, 1980, the increase in basis of stock or indebtedness

due to the application of Sections 1376(a) (as it was in effect for taxable years beginning before January 1, 1983) and 1367(a)(1)(A) and (B) of the Internal Revenue Code for each taxable year that the New York election was **not** in effect (Section 612(b)(21) of the Tax Law). The Internal Revenue Code sections mentioned above refer to S Corporation undistributed taxable income, respectively, that was required to be included in the shareholder's federal adjusted gross income.

**A-21** Amounts required under the Tax Law relating to your distributive or pro rata share of allocated net income, or your distributive or pro rata share of loss included in your federal adjusted gross income, from an insurance business operating as a member of the New York Insurance Exchange (Section 617-a of the Tax Law). See subtraction S-23 on page 14 of these instructions.

## Line 22

### Total

Add lines 18 through 21 and enter the total on line 22.

## New York Subtractions

### Line 23

#### Taxable refunds of state and local income taxes

Enter the amount of any taxable refund or credit for overpayment of income tax included on line 4.

### Line 24

#### Two-earner married couple deduction

You may take this deduction if both you and your spouse work in New York State and 1) have qualified earned income; and 2) file a joint return; and 3) do not exclude income or

deduct certain housing costs on federal Form 2555 or exclude income from sources in United States possessions on federal Form 4563. Complete the worksheet below to figure the deduction.

**Step 1 (lines 1, 2, and 3)** — Figure earned income separately for yourself and your spouse. Enter your amounts in column a and your spouse's in column b. The totals for columns a and b must equal the amounts reported on the corresponding lines of Form IT-203.

**Earned income** — This is generally income you receive for services you provide. It

Two-earner Married Couple Deduction Worksheet

Step 1 Figure earned income	(a) You		(b) Your spouse	
1 Wages, salaries, tips, etc., from Form IT-203, line 1, New York State Amount column. (Do not include taxable amount of pensions, IRA distributions or annuities reported on Form IT-203, line 9)	1		1	
2 Net profit or (loss) from self-employment (from Form IT-203, lines 6 and 12, New York State Amount column; federal Schedule K-1 (Form 1065); and any other earned income from New York State sources)	2		2	
3 Add lines 1 and 2. This is your total earned income	3		3	
<b>Step 2 Figure qualified earned income</b>				
4 Add amounts entered on Form IT-203, line 17, New York State Amount column, for reimbursed employee business expenses, IRA deduction, self-employed health insurance deduction, Keogh retirement plan and self-employed SEP deduction, and any repayment of supplemental unemployment benefits (sub-pay). Enter the total (see instructions page 13)	4		4	
5 Subtract line 4 from line 3. This is your qualified earned income. If the amount in column (a) or (b) is zero (-0-) or less, stop here. You may not take this deduction	5		5	
<b>Step 3 Figure the deduction</b>				
6 Compare the amounts in columns (a) and (b) of line 5 above. Enter the smaller amount here. (Enter either amount if 5(a) and 5(b) are the same.) <b>Do not enter more than \$30,000</b>	6			
7 Percentage used to figure the deduction (10%)	7	x	.10	
8 Multiply the amount on line 6 by the percentage on line 7. This is the amount of your deduction. Enter the result here and on Form IT-203, line 24	8			

includes wages, salaries, tips, commissions, supplemental unemployment benefits (sub-pay), etc. (from Form IT-203, line 1, New York State Amount column). It also includes income earned from self-employment (from Form IT-203, lines 6 and 12; and Schedule K-1 of federal Form 1065), and net earnings and gains (other than capital gains) from the disposition, transfer, or licensing of property that you created.

Earned income does not include interest, dividends, social security benefits, IRA distributions, unemployment compensation, deferred compensation, or nontaxable income. It also does not include any amount your spouse paid you.

**Step 2 (lines 4 and 5)** — Figure qualified earned income separately for yourself and your spouse by subtracting certain adjustments from earned income.

**Qualified earned income.** — This is the amount on which the deduction is based. Figure it by subtracting the total of certain adjustments from earned income. These adjustments (and the related lines on federal Form 1040) are:

- Reimbursed employee business expenses (from line 23).
- IRA deduction (yours, line 24a; spouse's, line 24b).
- Self-employed health insurance deduction (from line 25).
- Keogh retirement plan and self-employed SEP deduction (from line 26).
- Repayment of sub-pay included in the total on line 29.

On line 4, enter the total of any adjustments that apply to your earned income in column a and those that apply to your spouse's earned income in column b.

**Step 3 (lines 6, 7, and 8)** — Figure the deduction based on the smaller of:

- the qualified earned income entered in column (a) or (b) of line 5, whichever is less; or
- \$30,000.

**Example** — You earned a salary of \$21,000 and had \$4,000 of employee business expenses. Your spouse earned \$16,000 and had an IRA deduction of \$1,000. Your qualified earned income is \$17,000 (\$21,000 minus \$4,000) and your spouse's is \$15,000 (\$16,000 minus \$1,000).

Because your spouse's qualified earned income is less than yours, the deduction is figured on your spouse's income. Therefore, the deduction is \$1,500 (\$15,000 x .10).

## Line 25

### Taxable social security benefits

Enter, in the Federal Amount column only, the taxable amount of social security and tier 1 railroad retirement income included on line 14.

## Line 26

### Interest income on United States government bonds

Enter any interest income on bonds or other obligations of the United States government

that you included in your federal adjusted gross income. Include on line 26 qualifying dividends received after April 1, 1987, from regulated investment companies (mutual funds) that invest in obligations of the United States government and meet the 50 percent asset requirement (Section 613(c)(1) of the Tax Law). Since this income is not considered to be derived from New York State sources, include this subtraction in the Federal Amount column only.

## Line 27

### Pension and annuity income exclusion

If you were age 59½ before January 1, 1987, enter the qualifying pension and annuity income included in your 1987 federal adjusted gross income, **but not more than \$20,000**. If you became 59½ during 1987, enter only the amount received after you became 59½, **but not more than \$20,000**.

Do **not** enter any pension income that you received from New York State or its political subdivisions here; see the instructions for line 29, subtraction S-19, on page 14.

**If you are also claiming the disability income exclusion**, the total of your pension and annuity income exclusion and disability income exclusion cannot exceed \$20,000. If married, the total of each spouse's pension and annuity income and disability income exclusion cannot exceed \$20,000. You cannot claim any unused part of your spouse's exclusions.

### Qualifying pension and annuity income includes:

- Periodic payments for services you performed as an employee before you retired.
- Periodic and lump sum payments from an IRA, but **not** payments derived from contributions made after you retired.
- Periodic payments from an HR-10 (Keogh) plan, but **not** payments derived from contributions made after you retired.
- Lump sum payment from an HR-10 (Keogh) plan, but only if a federal forward averaging method is not used. Do **not** include that part of your payment that was derived from contributions made after you retired.

If you and your spouse both qualify, each of you can subtract up to \$20,000 of your own pension and annuity income. However, you cannot claim any unused part of your spouse's exclusion. If you received the pension and annuity income of a decedent, you may make this subtraction if the decedent would have qualified to make this subtraction at the time of death.

If the pension and annuity income is based on services performed inside and outside New York State, it is taxable to the extent that services were performed in New York State. If the pension and annuity income is allocable, then the \$20,000 exclusion must also be allocated using the same basis.

For more information, see Publication 59, *New York State's Tax Benefit on Pension and Annuity Income*.

## Line 28

### New York State depreciation

Enter your total New York State depreciation from Form IT-399, line 1, column F (Section 612(c)(26) of the Tax Law). This adjustment must be made for property placed in service during taxable years beginning in 1981, 1982, 1983 and 1984. It also must be made for property placed in service outside New York State in taxable years beginning after December 31, 1984 (including property on which ACRS depreciation was figured in accordance with the federal Tax Reform Act of 1986), except for property subject to the provision of Section 280F of the Internal Revenue Code (such as luxury automobiles).

Also, see the instructions for line 20 on page 11 of these instructions.

## Line 29

### Other subtractions

Identify any of the following subtractions that apply to you by writing the item number and the amount of each subtraction in the white area on line 29. Enter your total other subtractions on line 29 in the Federal Amount column. Enter in the New York State Amount column the part of each amount in the Federal Amount column that is derived from or connected with New York State sources.

Apply your business allocation percentage from Schedule IT-203-A to those subtractions (except real property items) that are part of the receipts of a business carried on both inside and outside of New York State. Include your figures from Schedule IT-203-A on line 29.

**S-1** Interest expense on money borrowed to purchase or carry bonds or securities where income is subject to New York State income tax but exempt from federal income tax, provided this interest was a 1987 business expense and was not deducted in figuring your federal adjusted gross income (Section 612(c)(9) of the Tax Law).

**S-2** Ordinary and necessary business expenses paid or incurred during 1987 in connection with income, or property held to produce income, that is subject to New York State income tax but exempt from federal income tax, provided these expenses were not deducted in arriving at your federal adjusted gross income (Section 612(c)(10) of the Tax Law).

**S-3** Amortization of bond premium attributable to 1987 on any bond whose interest income is subject to New York State income tax but exempt from federal income tax, provided this amortization was a 1987 business expense and was not deducted in figuring your federal adjusted gross income (Section 612(c)(10) of the Tax Law).

**S-4** The amount necessary to prevent taxation of amounts properly included in total New York income in prior taxable years by a shareholder of a professional service corporation (Section 612(c)(12) of the Tax Law).

**S-5** The amount of wages and salaries paid or incurred during the taxable year for which a salaries deduction is not allowed with regard to claiming the federal targeted jobs credit (Section 612(c)(15) of the Tax Law).

**S-6** The part of any gain included in your federal adjusted gross income for the sale or other disposition of (1) property which had a higher basis for New York State income tax purposes than for federal income tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960), and (2) property held in connection with mines, oil or gas wells, and other natural deposits which has a higher adjusted basis for New York State income tax purposes than for federal income tax purposes, which does not exceed this difference in basis. When the gain on the sale or other disposition of jointly owned property is divided between you and your spouse on your separate state returns, any subtraction due to a higher New York than federal basis must also be divided (Sections 612(c)(4) and 612(c)(13) of the Tax Law). Subtraction (1) above for higher New York State basis does not apply to property acquired after December 31, 1959 (or after the last day of a fiscal year ending in 1960).

**S-7** Any amount of income (including annuity income) or gain included in your federal adjusted gross income which was properly reported as income or gain on a prior New York State return filed under former Article 16 of the Tax Law by you or a decedent, an estate or trust from whom you acquired this income or gain (Section 612(c)(5) of the Tax Law).

**S-8** Cost depletion figured according to federal tax law on property where percentage depletion was added on line 21 (Section 612(c)(13) of the Tax Law). See addition A-8 on page 11 of these instructions.

**S-9** Special depreciation expenditures, or carryover of research and development expenditures incurred in taxable years beginning before 1987, in connection with depreciable, tangible business property located in New York State (Section 612(c)(11) of the Tax Law). For more information, see Form IT-211, *Special Depreciation Schedule*, and instructions. Also see addition A-7 on page 11 of these instructions.

**S-10** Any loss which was to have been realized for New York State tax purposes from the sale or other disposition of property acquired from a decedent and valued by the executor under New York State tax Law because the estate had an insufficient amount of assets to require the filing of a federal estate tax return (Section 612(c)(19) of the Tax Law).

**S-11 New business investment exclusion** — The amount of gain to be subtracted from the sale of a New York new business investment which was included in your federal adjusted gross income (Section 612(c)(20) of the Tax Law).

**S-12 New business investment deferral** — The amount of capital gain on the sale of a capital asset that was reinvested in a New York new business within one year from the

date the property was sold (Section 612(c)(23) of the Tax Law). For more information, including how to figure your subtraction, see Publication 382.

**S-13 Safe harbor leases** — Any amount that was included in federal adjusted gross income (except for mass transit vehicles) solely because of an election made under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, (Section 612(c)(24) of the Tax Law).

**S-14 Safe harbor leases** — Any amount that could have been excluded from federal adjusted gross income (except for mass transit vehicles) had the election under Section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, **not** been made (Section 612(c)(25) of the Tax Law).

**S-15 Accelerated cost recovery property — Year of disposition adjustment** — In the year that you dispose of property, the amount by which your total federal accelerated cost recovery deductions (including deductions on which ACRS depreciation was figured in accordance with the federal Tax Reform Act of 1986) were greater than the total depreciation you took for New York State purposes on that property (Section 612(c)(28) of the Tax Law). Use Form IT-399, *New York State Depreciation*, to figure your adjustment. See addition A-14 on page 12 of these instructions.

**S-16 Disability income exclusion** — An amount that could have been excluded from federal adjusted gross income based on Section 105(d) of the Internal Revenue Code as it was in effect prior to January 1, 1984. However, the sum of disability income excluded and pension and annuity income excluded may **not** exceed \$20,000. (Section 612(c)(3-b) of the Tax Law). Use Form IT-221 *Disability Income Exclusion* to figure your disability income exclusion and attach it to your return.

**If you claim this exclusion**, you must also complete the physicians statement located at the bottom of Form IT-221.

**Subtraction items S-17 through S-23 apply only to the Federal Amount column since the income to which these items relate is not regarded as being derived from New York State sources. Do not include these items in the New York State Amount column.**

**S-17 S Corporation Shareholders** — If you are a shareholder of an S corporation for which the election to be a New York S corporation was **not** in effect for the taxable year, any S corporation income included in federal adjusted gross income pursuant to Section 1366 of the Internal Revenue Code. (Section 612(c)(22) of the Tax Law).

**S-18** Interest or dividend income on bonds or securities of any United States authority, commission or instrumentality included in your federal adjusted gross income but exempt from state income taxes under federal laws (Section 612(c)(2) of the Tax Law).

**S-19** Any pension you received as a retired officer or employee of New York State or its political subdivisions (towns, cities, etc.) that was included in your federal adjusted gross income, and any pension you received as a beneficiary of a deceased officer or employee of New York State or its political subdivisions (Section 612(c)(3) of the Tax Law).

**S-20** The amount of supplemental annuity and tier 2 benefits received under the Railroad Retirement Act of 1974 and the amount of Railroad Unemployment Insurance Act benefits that were included in your federal adjusted gross income but exempt from state income taxes under Title 45 of the United States Code.

**S-21** Any interest or dividend income included in your federal adjusted gross income on bonds or securities that is exempt from New York State income taxes (Section 612(c)(6) of the Tax Law).

**S-22 S corporation shareholders** — Where a gain or loss is recognized on a shareholder's federal income tax return due to the disposition of stock or indebtedness of an S corporation that did not have an election to treat the corporation as a New York S corporation in effect for any taxable year beginning after December 31, 1980, the reduction in basis of stock or indebtedness due to the application of Sections 1376(b) (as it was in effect for taxable years beginning before January 1, 1983) and 1367 (a)(2)(B) and (C) of the Internal Revenue Code for each taxable year that the New York election was **not** in effect.

Also, the amount of any additions to federal adjusted gross income under Section 612(b)(20) of the Tax Law (see addition A-18 on page 12 of these instructions) that were made with respect to the stock described above (Section 612(c)(21) of the Tax Law).

The Internal Revenue Code sections mentioned above refer to the shareholder's pro rata share of S corporation net operating loss and S corporation loss and deduction, respectively, that was required to be taken into account in figuring the shareholder's federal adjusted gross income.

**S-23** Any amount included in your federal adjusted gross income which is your distributive or pro rata share of income or gain from an insurance business operating as a member of the New York Insurance Exchange (Section 617-a of the Tax Law). See addition A-21 on page 12 of these instructions.

## Line 30

Add lines 23 through 29 and enter the total.

## Line 31

**New York adjusted gross income**

Subtract line 30 from line 22 and enter the result.

## Line 32

Transfer the amount from page 1, line 31, New York State Amount column to page 2, line 32.

## NY Itemized Deduction

You may pay less tax if you can claim the New York itemized deduction. You can claim the New York itemized deduction only if you itemize deductions on your federal return. However, if your New York itemized deduction is **less** than your allowable standard deduction, you should claim the standard deduction. If you are married and filing separate returns (filing status ③), you can claim the New York itemized deduction only if both of you itemized deductions on your federal returns and both of you elect to claim the New York itemized deduction. Otherwise, both of you must claim the New York standard deduction. For more information on the New York standard deduction, see the instructions for line 46 on page 16.

**If you did not itemize deductions on your federal return, or if you did not have to file a federal return, you must claim the New York standard deduction; skip lines 33 through 45 and continue on line 45a.**

## Lines 33 through 40

Enter on each line the total of each group of itemized deductions (medical and dental, taxes, moving expenses, etc.) exactly as you reported them on your federal Schedule A (Form 1040), *Itemized Deductions*.

## Line 41

Enter the total itemized deductions from federal Schedule A, line 26.

## Line 42

### State, local and foreign income taxes included on line 34

Enter the amount of any state, local and foreign income taxes included on line 34. State and local income taxes are reported on your federal Schedule A, line 5. Foreign income taxes are reported on your federal Schedule A, line 7.

### Exception for City of NY nonresident earnings tax

— If you included the City of New York nonresident earnings tax on line 34, you do **not** have to include on line 42 the difference between the City of New York nonresident earnings tax on wages figured at the old rate (0.25%) and the tax figured at the current rate (0.45%). To figure the amount you have to include on line 42, multiply your City of New York taxable wages (from Form NYC-203, line 3) by .0020 and subtract it from your state, local and foreign income tax deduction included on line 34.

**Example** — Your line 34 amount includes your City of New York nonresident earnings tax as well as other state, local and foreign income taxes, for a total income tax deduction of \$1,000. Your taxable wages from Form

NYC-203, line 3 are \$16,000. Multiply \$16,000 by .0020 which equals \$32, the amount you do **not** have to include on line 42. Then subtract \$32 from \$1,000 to find the difference of \$968, the amount to enter on line 42.

The above also applies to the City of New York nonresident earnings tax on net earnings from self-employment. The amount you do **not** have to include on line 42 is the difference between the tax figured at the old rate (0.375%) and the tax figured at the current rate (0.65%). To figure the amount you have to include on line 42, multiply your City of New York taxable net earnings from self-employment (Form NYC-203, line 7) by .00275 and subtract it from your state, local and foreign income tax deduction included on line 34.

## Line 43

Subtract line 42 from line 41 and enter the result.

## Line 44

### Other adjustments

On a separate sheet marked "Line 44 Other Adjustments," identify by item letter any of the following other adjustments that apply to you. Show the amount of each adjustment, and attach this sheet to your return. Enter only the net addition or net (subtraction) amount on line 44.

**Partners** — Include on line 44 the additions and subtractions described below that apply to your share of partnership deduction items (if not included in your New York additions and subtractions on page 1 of your New York State return). Determine your share of partnership items from the partnership return, Form IT-204.

**S corporation shareholders** — If you are a shareholder of a federal S corporation for which the election to treat the corporation as a New York S corporation was in effect for the taxable year, or if you were not eligible to make the election to treat your corporation as a New York S corporation because the corporation is not subject to Article 9-A franchise tax, include on line 44 additions A through C and subtractions D through G, described below that apply to your pro rata share of S corporation items of income, loss or deduction. If the election to be a New York S corporation terminated during the taxable year, you must allocate these items (see Publication 382, *How to Figure Your New York Additions and Subtractions*, for more information). Obtain your share of S corporation items from the S corporation's Form CT-3S.

If you are a shareholder of a federal S corporation that did not elect to be a New York S corporation, include subtraction H only.

### Additions

**A** Interest expense on money borrowed to purchase or carry bonds or securities subject to New York income tax but exempt from federal income tax, if this interest expense was not deducted on your federal return or shown as a New York subtraction on page 1 of your New York State return. This addition may be made if the income

from these bonds or securities is taxable to a New York State resident.

**B** Ordinary and necessary expenses paid or incurred during 1987 in connection with income, or property held for the production of income, which is subject to New York income tax but exempt from federal income tax, if these expenses were not deducted on your federal return or shown as a New York subtraction on page 1 of your New York State return. These additional expenses are allowed if the income is taxable to a New York State resident.

**C** Amortization of bond premium attributable to 1987 on any bond whose interest income is subject to New York income tax but exempt from federal income tax, if this amortization was not deducted on your federal return or shown as a New York subtraction on page 1 of your New York State return. This addition may be made if the interest from the bond is taxable to a New York State resident.

### Subtractions

**D** Interest expense on money borrowed to purchase or carry bonds or securities whose income is exempt from New York income tax. You do **not** have to make this subtraction if the income from the bonds or securities is taxable to a New York State resident.

**E** Ordinary and necessary expenses paid or incurred in connection with income, or property held for the production of income, which is exempt from New York income tax. You do **not** have to make this subtraction if the income is taxable to a New York State resident.

**F** Amortization of bond premium attributable to 1987 on any bond whose interest income is exempt from New York income tax. You do **not** have to make this subtraction if the interest from the bond is taxable to a New York State resident.

**G** Your distributive or pro rata share of deductions from an insurance business operating as a member of the New York Insurance Exchange (Section 617-a of the Tax Law).

**H** If you are a shareholder of a federal S corporation that did not elect to be a New York S corporation, any S corporation deductions included in your federal itemized deductions. If an S corporation short year is involved, you must allocate those deductions (see Publication 382, *How to Figure Your New York Additions and Subtractions*, for more information).

## Line 45

### NY itemized deduction

If line 44 is an addition, add lines 43 and 44 and enter the total on line 45. If line 44 is a (subtraction), subtract line 44 from line 43 and enter the result.

If you made no entries on line 44, enter the amount from line 43 on line 45.

Transfer the line 45 amount to line 46 next to the dollar sign.

# Tax Computation

## Line 45a

### Limitation percentage

Figure your limitation percentage on line 45a if the amount in the Federal Amount column on line 31 (your total New York income figured as if you were a New York resident) is over \$100 more than the amount in the New York State Amount column on line 31. Apply this percentage against any New York itemized deduction or standard deduction claimed on line 46, and against your exemptions on line 48.

To figure your limitation percentage, divide the amount in the New York State Amount column on line 31 by the amount in the Federal Amount column on line 31. Carry your division to four places. For example, if the amounts used were \$12,000 divided by \$36,000, the result would be .3333 (33.33%).

All taxpayers must enter a percentage in the **white** space provided on lines 46 and 48. If the limitation percentage does not apply to you, enter 100%.

## Line 46

### NY deduction: standard or itemized

Check either the standard or the itemized deduction box to show which method you are using and enter your deduction amount in the space to the right of the dollar sign (\$).

- If you itemized deductions on your federal return, you can use either method.
- If you did not itemize on your federal return, or if you did not have to file a federal return, you must claim the New York standard deduction.
- If you are married and filing separate returns (filing status ③) and one of you claims the New York standard deduction, the other must also claim the standard deduction.

### New York standard deduction

If you are **not** claiming the New York itemized deduction, find your standard deduction in the table below and enter it on line 46 in the space to the right of the dollar sign (\$).

Standard Deduction Table

Filing Status	Standard Deduction
① Single and you checked item B "Yes" .....	\$2,800
① Single and you checked item B "No" .....	3,600
② Married filing joint return .....	5,300
③ Married filing separate return .....	2,650
④ Head of household (with qualifying person) .....	4,600
⑤ Qualifying widow(er) with dependent child .....	5,300

The standard deduction is subject to the limitation percentage figured on line 45a. For example, if your limitation percentage on line 45a is 60% and your standard deduction is \$5,300, enter \$3,180 (\$5,300 x .60 = \$3,180) on line 46.

### New York itemized deduction

Your New York itemized deduction to be subtracted at line 46 is the amount reported on line 45 unless you are required to figure the limitation percentage on line 45a. If so, multiply the amount of your itemized deduction by your limitation percentage and enter the result on line 46. For example, if your limitation percentage on line 45a is 80% and your itemized deduction on line 45 is \$6,000, enter \$4,800 (\$6,000 x 80% = \$4,800) on line 46.

If you checked filing status ③, you must claim only those deductions that apply to your income and your spouse must claim only those that apply to his or her income.

## Line 47

Subtract the amount on line 46 from the amount on line 32 and enter the result.

## Line 48

### Exemptions

Enter the number of exemptions you claimed on your federal return in the box on line 48.

If you can be claimed as a dependent on another taxpayer's federal return, you cannot claim a personal exemption on your New York return. Enter "0" in the box and "0" on line 48.

If you did not have to file a federal return, enter the number of exemptions that would be allowed for federal income tax purposes. Enter in the **white space** provided either the limitation percentage from line 45a or 100% if you did not have to complete line 45a. Multiply the number of exemptions by \$900 and multiply the result by the percentage on line 48. Enter this amount on line 48.

## Line 49

### New York taxable income

Subtract the amount on line 48 from the amount on line 47 and enter the result on line 49.

## Line 50

### New York State Tax

Find your New York State tax on the amount on line 49 by using the **New York State Tax Table** on green pages 23 through 28 of these instructions. Be sure you use the correct column. After you have found the correct tax, enter that amount on line 50.

There is an example at the beginning of the table to help you find the correct tax.

## Line 51a

### Additional tax on unearned income

If line 32 is more than \$100,000 (more than \$50,000 if you are married filing a separate return), enter the additional tax on unearned income from Form IT-203-ATT, Part III, line 17. If your line 32 amount is \$100,000 or less, (\$50,000 or less if you are married filing a

separate return), enter "0" on line 51a. You may be subject to the additional tax on unearned income even if you have no New York taxable income on line 49. For more information, see *Additional Tax on Unearned Income Worksheet*, on page 21.

## Line 51b

### For additional tax on unearned income filers only

If you entered an amount of additional tax on unearned income on line 51a, transfer the amount from Form IT-203-ATT, Part III, line 11 to Form IT-203, line 51b.

## Line 52

Add lines 50 and 51a and enter the total.

# Credits/Other Taxes

## Line 53

### New York State household credit

Enter your New York State household credit. You qualify to claim this credit if you checked the "No" box for item B on the front page of your Form IT-203 and if you checked:

- filing status ① and the amount on Form IT-203, line 18, Federal Amount column, is **not** over \$28,000.
- filing status ②, ③, ④ or ⑤ and the amount on Form IT-203, line 18, Federal Amount column, is **not** over \$32,000.

**Filing status ① – Complete Worksheet I to figure your household credit.**

**Filing status ②, ③, ④ or ⑤ – Complete Worksheet II to figure your household credit.**

New York State Household Credit Worksheet I		
Filing status ① only		
a. Enter the amount from Form IT-203, line 18, Federal Amount column .....	a.	_____
<b>If the amount on line a above is:</b>		
<b>over</b>	<b>but not over</b>	<b>enter on line b:</b>
\$ 0 .....	\$ 5,000 .....	\$76
5,000 .....	6,000 .....	60
6,000 .....	7,000 .....	50
7,000 .....	20,000 .....	45
20,000 .....	25,000 .....	40
25,000 .....	28,000 .....	20
28,000 .....	No credit is allowed; enter "0" on Form IT-203, line 53.	
b. Enter amount from table above .....	b.	_____
c. Enter amount from Form IT-203, line 52 .....	c.	_____
d. Enter the total of any credits claimed on Form IT-203-ATT, Part I, lines 1 and 2 .....	d.	_____
e. Subtract line d from line c .....	e.	_____
f. Enter the amount on line b or line e, whichever is smaller .....	f.	_____
This is your New York State household credit. Transfer this amount to Form IT-203, page 2, line 53.		



**New York State  
Household Credit Worksheet II**

Filing status ②, ③, ④ and ⑤

a. Enter the amount from Form IT-203, line 18, Federal Amount shown (for filing status ③, use the total from **both** returns) .....a. \_\_\_\_\_

**If the amount on line a above is:**

		enter on:	
over	but not over	line b	line c
\$ 0	\$ 5,000	\$75	\$15
5,000	6,000	60	15
6,000	7,000	50	15
7,000	20,000	45	15
20,000	22,000	50	10
22,000	25,000	40	10
25,000	28,000	35	5
28,000	32,000	15	5
32,000		No credit is allowed; enter "0" on Form IT-203, line 53.	

b. Enter amount from table above .....b. \_\_\_\_\_

c. Enter amount from table above .....c. \_\_\_\_\_

d. Enter the number of exemptions from Form IT-203, line 48 (for filing status ③, use the total from **both** returns) .....d. \_\_\_\_\_

e. Multiply line c by line d and enter result .....e. \_\_\_\_\_

f. Add lines b and e .....f. \_\_\_\_\_

g. Enter amount from Form IT-203, line 52 .....g. \_\_\_\_\_

h. Enter the total of any credits claimed on Form IT-203-ATT, Part I, lines 1 and 2 .....h. \_\_\_\_\_

i. Subtract line h from line g and enter result .....i. \_\_\_\_\_

j. Filing status ②, ④ or ⑤ — enter amount from line f or i, whichever is smaller.  
Filing status ③ — enter 50% of line f or 100% of line i, whichever is smaller .....j. \_\_\_\_\_

This is your New York State household credit. Transfer this amount to Form IT-203, page 2, line 53.

**Line 54**

Subtract the amount on line 53 from the amount on line 52 and enter the result. If line 53 is more than line 52, enter "0".

**Line 55**

**Other NY State credits**

Enter the total amount of other New York credits from Form IT-203-ATT, Part I, line 7. These are: accumulation distribution credit, New York State child and dependent care credit, investment credit, special additional mortgage recording tax credit, solar and wind energy credit carryover, and economic

development zone credit(s). For more information, see *Instructions for Form IT-203-ATT*, Part I, on page 20.

**Line 56**

Subtract the amount on line 55 from the amount on line 54 and enter the result. If line 55 is more than line 54, enter "0".

**Line 57**

**Other NY State taxes**

Enter the total amount of other New York State taxes from Form IT-203-ATT, Part II, line 12. These are: minimum income tax, separate tax on lump sum distributions, separate tax on PASS funds and add-back of investment credit on early dispositions. For more information, see *Instructions for Form IT-203-ATT*, Part II, on page 21.

**Line 58**

**Total New York State tax**

Add lines 56 and 57 and enter the total on line 58.

**Lines 59 through 61 apply only to City of New York and City of Yonkers taxes. If you are not subject to City of New York or City of Yonkers taxes, do not fill in these lines.**

**Line 59**

**City of New York nonresident earnings tax**

Complete line 59 only if you are subject to the City of New York nonresident earnings tax.

If you were not a City of New York resident but earned wages or conducted a trade or business there (either as an individual or a member of a partnership), you are subject to the City of New York nonresident earnings tax. Limited partners are not considered to receive net earnings from self-employment since they perform no services for the partnership.

For more information, see page 29. Figure your nonresident earnings tax on Form NYC 203, *City of New York Nonresident Earnings Tax Return*, and enter the tax on line 59. Attach Form NYC-203 to the back of Form IT-203.

**Line 60**

**City of Yonkers nonresident earnings tax**

Complete line 60 only if you are subject to the City of Yonkers nonresident earnings tax. If you were not a City of Yonkers resident but earned wages or conducted a trade or business there (either as an individual or a member of a partnership), you are subject to the City of Yonkers nonresident earnings tax. Figure your nonresident earnings tax on Form Y-203, *City of Yonkers Nonresident Earnings Tax Return*, and enter the tax on line 60. Attach Form Y-203 to the back of Form IT-203.

**Line 61**

**Total City of NY and City of Yonkers taxes**

Add lines 59 and 60 and enter the total on line 61.

**Line 62**

**Total NY State, City of New York and City of Yonkers taxes**

Add lines 58 and 61 and enter the total on line 62.

**Payments**

**Line 63**

**Total NY State tax withheld**

Enter on this line your total **New York State** tax withheld as shown on your wage and tax statement(s), New York State Form IT-2102 or federal Form W-2.

If you checked filing status ②, enter the total New York State tax withheld for you and your spouse.

Attach Copy 2 of your wage and tax statement(s) to your return. If New York State tax was withheld from annuities, pensions, retirement pay or IRA payments, attach Copy 2 of Form IT-2102P or federal Form W-2P to your return.

If New York State tax was withheld from New York State lottery winnings payments, attach copy 2 of Form IT-2102L to your return.

**If you did not have City of New York tax withheld, skip line 64.**

**Line 64**

**Total City of New York tax withheld**

Enter your total **City of New York** tax withheld as shown on your wage and tax statement(s).

If you checked filing status ②, enter your combined City of New York tax withheld.

Attach Copy 2 of your wage and tax statement(s) to your return.

If City of New York tax was withheld from annuities, pensions, retirement pay or IRA payments, attach Copy 2 of Form IT-2102P or federal Form W-2P to your return.

If City of New York tax was withheld from New York State lottery winnings payments, attach copy 2 of Form IT-2102L to your return.

**If you did not have City of Yonkers tax withheld, skip line 65.**

**Line 65**

**Total City of Yonkers tax withheld**

Enter your total **City of Yonkers** tax withheld as shown on your wage and tax statement(s).

If you checked filing status ②, enter your combined City of Yonkers tax withheld for you and your spouse.

Attach Copy 2 of your wage and tax statement(s) to your return. If City of Yonkers tax was withheld from annuities, pensions, retirement pay or IRA payments, attach Copy 2 of Form IT-2102P or federal Form W-2P to your return.

If City of Yonkers tax was withheld from New York State lottery winnings payments, attach copy 2 of Form IT-2102L to your return.

## Line 66

### Estimated tax paid/Paid with IT-370

Enter on this line the total of your estimated tax payments for New York State, City of New York and City of Yonkers. Also, include on line 66 the amount you paid with Form IT-370, *Application for Automatic Extension of Time to File*.

- Estimated tax paid** — Include on line 66 the total of your 1987 estimated tax payments (include your last installment, even if paid in 1988) and any overpayment from your 1986 return that was applied to your 1987 estimated tax.

If you checked filing status ② but made **separate** 1987 estimated tax payments (Form IT-2105), enter your combined total estimated tax paid.

**Do not** include any amounts you paid for the **City of New York** unincorporated business tax. File the City of New York unincorporated business tax directly with the City of New York Department of Finance.

- Paid with Form IT-370** — If you filed Form IT-370 to get an extension of time to file Forms IT-203, NYC-203 and Y-203, include on line 66 the amount you paid with Form IT-370. **Attach a copy of Form IT-370 to your return.**

If you checked filing status ② but filed **separate** Forms IT-370, enter the combined amount paid with your separate Forms IT-370.

**Remember to attach a copy of Form IT-370 to your return.**

## Line 67

### Total payments

Add lines 63 through 66 and enter your total tax payments on line 67.

## Refund/ Amount You Owe

Apply your payments (line 67) against your total tax (line 62) to see whether you have an overpayment or a balance due.

## Line 68

### Overpayment

If line 62 is less than line 67, subtract line 62 from line 67 and enter your overpayment on line 68. You can have all or part of this amount refunded to you. Any remainder can be applied to your 1988 estimated tax. Any overpayment credited toward your estimated tax cannot be refunded after April 15, 1988.

## Line 69

### Refund

Enter the amount of overpayment from line 68 that you want refunded to you. You must file a return to get a refund. The Tax Department will not refund an amount of one dollar or less unless you attach to your return a signed statement asking for it.

### Collection of debts from your refund —

We will keep all or part of your refund if you

York or City of Yonkers tax liability, past due spousal or child support in New York State or if a judgment was filed against you because you have not repaid a student loan guaranteed by the New York State Higher Education Services Corporation or a national defense/national direct, health professions or nursing student loan provided to students at state-operated units of the State University of New York or the City University of New York. Any amount over your debt will be refunded.

**Disclaiming of spouse's debt** — If you checked filing status ② and you do not want to apply your part of the refund to your spouse's debt and you are not liable for it, fill in Form IT-280, *Nonobligated Spouse Allocation*, and attach it to your return. You cannot amend your return to disclaim your spouse's debt.

If you have any questions about whether you owe a federal, New York State, City of New York or City of Yonkers tax liability, past-due spousal or child support, whether you have repaid your HESC guaranteed or state or city university student loan, or about the amount owed, call or write to the appropriate agency shown below.

**For a federal tax liability —**

(518) 472-3608  
I.R.S. Special Procedures Function  
Leo O'Brien Federal Building  
Clinton and North Pearl Streets  
Albany, NY 12207

(718) 780-6636  
Internal Revenue Service  
P.O. Box 911 G.P.O.  
Brooklyn, NY 11202

(716) 846-5439  
Internal Revenue Service  
P.O. Box 266 Niagara Square Station  
Buffalo, NY 14202

(212) 264-1140  
Internal Revenue Service  
Attn: C: FS 3rd Floor  
P.O. Box 2827  
New York, NY 10277

**For a New York State, City of New York or City of Yonkers tax liability —**

1-800-835-3554  
outside NYS (518) 482-0683  
NYS Tax Compliance Division  
W.A. Harriman Campus  
Albany, NY 12227-0125

**For past-due spousal or child support —**

(518) 473-8029  
NYS Office of Child Support Enforcement  
Special Collections Unit  
P.O. Box 125  
One Commerce Plaza  
Albany, NY 12260

**For HESC guaranteed student loans —**

(518) 474-0991  
NYSHESC  
99 Washington Avenue  
Albany, NY 12225

**For State University student loans —**

(518) 443-5626  
Student Loan Service Center  
State University of New York  
SUNY Plaza  
Albany, NY 12246

**For City University student loans —**

(212) 397-5620  
NDSL/NSL Department  
Room 1090  
City University of New York  
University Office Accounting  
555 West 57th Street  
New York, NY 10019

## Line 70

### New York State, City of New York and City of Yonkers estimated tax for 1988

Enter the amount of overpayment from line 68 that you want credited to your New York State, City of New York and City of Yonkers estimated tax for 1988. Do not include any amount that you claimed as a refund on line 69.

## Line 71

### Amount you owe

If line 67 is less than line 62, subtract line 67 from line 62 and enter the amount you owe on line 71.

If you owe more than one dollar, include full payment with your return. (You do not have to pay one dollar or less.) Make your check or money order payable to "**NEW YORK STATE INCOME TAX**" and write your social security number and "1987 income tax" on it. Do not send cash. If you also have to pay an underpayment of estimated tax penalty (line 72), send one check or money order for the total amount (penalty plus tax due).

Do not include any penalty or interest amounts on line 71. If you include penalties or interest with your payment, identify and enter these amounts in the right margin of page 2 of Form IT-203 (but not underpayment of estimated tax penalty, see line 72).

## Line 72

### Underpayment of estimated tax

If line 71 is at least \$100 and, in addition, represents more than 20% of the tax shown on your return, or you underpaid your estimated tax liability for any payment period, you may owe a penalty. However, you are not subject to a penalty if your 1987 prepayments equal at least 100% of your 1986 tax (based upon a return covering 12 months). Attach Form IT-2105.9, *Underpayment of Estimated Tax by Individuals*, to Form IT-203 to show how you figured the penalty or which exceptions apply. If you owe a penalty, check the box at line 72 and enter the amount of the penalty. For more information, see the instructions for Form IT-2105.9.

Do not include any other penalty or interest amounts on line 72. If you include penalties or interest with your payment, identify and enter these amounts in the right margin of page 2, Form IT-203.

Now continue with *Step 4* on page 19.

### Step 4

Check the figures on your return and attachments.

### Step 5

Complete the top of your return.

**Mailing label** – Remove the peel-off label from the cover of your packet and place it in the name and address box at the top of Form IT-203. Check the label to make sure the information on it is complete and correct. The series of numbers along the top of the label shows your social security information and the New York State form you filed last year.

- If your name (or your spouse's name) or address is wrong, cross it out and make the corrections directly on the label.
- If your social security number is wrong, cross it out and enter the correct information in the white space at the top of Form IT-203. (Your social security number is printed on the upper left-hand corner of the label.) If this information is not on your label, enter it in the white space at the top of Form IT-203.

**Occupation(s)** – Enter your occupation in the space at the top of Form IT-203. If you are married, also enter your spouse's occupation.

If you do not have a mailing label, enter all of the following information on the lines at the top of page 1:

- Name and address** (both names if filing a joint return)
- Social security number(s)**
- Occupation(s)**

### Step 6

Sign and date your return at the bottom of page 2

You must sign and date your return. If you are married and filing a joint return, you must both sign it. **Your return cannot be processed if you do not sign it.**

You should have a copy of your return and attachments and keep them in a safe place if you need to refer to them later. If someone prepares your return for you, be sure to get a copy for your records.

If the return is for someone who died and there is no surviving spouse to sign it, the name and address of the person signing it must be printed or typed below the signature.

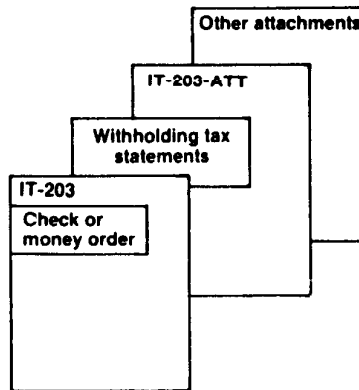
**Paid preparer must also sign your return**

If you pay someone to prepare your return, the paid preparer must also sign it and fill in the other blanks in the paid preparer's area of your return. A person who prepares your return and does not charge you should not fill in the paid preparer's areas.

### Step 7

**Attachments**

- Staple Copy 2 of your wage and tax statement(s) and any other forms and schedules you used to the **back** of your return at the upper left hand corner. (Please staple once only.) Staple them in the following order:
  - 1 Copy 2 of your wage and tax statements, face out
  - 2 Form IT-203-ATT
  - 3 Other New York State forms in form number order
  - 4 Any other schedules you used or prepared yourself, including copies of federal schedules
- If you owe any tax, staple your check or money order to the **top of the front** of Form IT-203.
- If you have to file Form IT-201 due to a change of resident status, attach it on top of your Form IT-203. If you owe any tax, staple your check to the Form IT-201.
- If you have to write to us, attach your letter to the **front** of Form IT-203.



### Step 8

**Checklist**

If your return cannot be processed, it will be returned to you. This may delay your refund or subject you to late filing penalties. Before you mail your return, a quick check will help you avoid common errors that cause processing problems.

**Did you:**

- Attach your peel-off label?** If you do not have a label, did you enter your name(s), address, social security number(s) and occupation(s) at the top of your return?
- Check your filing status box?**
- Check the Yes or No box at item B?**
- Figure your limitation percentage on line 45a and enter it on lines 46 and 48?**
- Check the standard or itemized deduction box on line 46?**
- Enter the number of exemptions in the box on line 48?**
- Claim any adjustments or credits that you may qualify for?**
- Sign your return?** (Both husband and wife must sign a joint return.)
- Attach Copy 2 of your wage and tax statement(s)?**
- Attach Form IT-203-ATT, if you are subject to other New York State taxes (including the new additional tax on unearned income), claimed other NY State credits or are required to complete Schedule A, Allocation of Wage and Salary Income to New York State?**
- Make your check or money order payable to "NY State Income Tax" for the full amount of any balance due?**
- Write your social security number and "1987 income tax" on your check or money order?**

### Step 9

Use the preaddressed mailing envelope.

Use the preaddressed envelope that came with your tax packet. If you are claiming a refund, mark an "X" in the box on the front of the envelope. If you do not have a preaddressed envelope, address your envelope –

**For refund returns:**

New York State Income Tax  
W.A. Harriman Campus – REFUND '87  
Albany, NY 12227-0125

**For all other returns:**

New York State Income Tax  
W.A. Harriman Campus  
Albany, NY 12227-0125

# Instructions for Form IT-203-ATT

## Summary of Other Credits and Taxes

If you are claiming any of the other New York State credits or are subject to any of the other New York State taxes listed below, complete Form IT-203-ATT and attach it to your nonresident return. Form IT-203.

If you need more forms or schedules, see *How to Get Forms* on page 5 of these instructions.

## Part I Other NY State Credits

If you are claiming any of the New York State credits listed below, fill in Part I. These credits do not apply to the City of New York or City of Yonkers nonresident earnings tax. New York State does not allow any credits similar to those allowed under federal law for the elderly, earned income, etc.

### Line 1

#### Accumulation distribution credit

Enter the amount of accumulation distribution credit. If you are a beneficiary of a trust who received an accumulation distribution, you may be allowed a credit for New York State income taxes paid by the trust (Sections 621 and 640 of the Tax Law). Attach a schedule showing how you figured your credit.

### Line 2

#### NY State child and dependent care credit

Enter the amount of New York State child and dependent care credit (Section 606(c) of the Tax Law). You can claim this credit if you were allowed a child and dependent care credit on your federal income tax return. Enter in the boxes on line 2 the number of qualifying persons cared for in 1987 and the amount of child and dependent care credit from federal Form 2441. You can claim 20 percent of your federal credit multiplied by your limitation percentage, but not more than the tax shown on Form IT-203, line 52, less any accumulation distribution credit claimed on line 1 of Form IT-203-ATT. Use the following worksheet to figure your New York State child and dependent care credit.

Child and Dependent Care Credit Worksheet	
a. Enter your credit for child and dependent care expenses from federal Form 2441 .....	a. _____
b. Percentage allowed for New York State (20%) .....	b. $\times .20$
c. Multiply line a by line b .....	c. _____
d. Enter your limitation percentage from line 45a of Form IT-203 .....	d. _____
e. Tentative credit. Multiply line c by line d .....	e. _____
f. Enter your tax from Form IT-203, line 52 .....	f. _____
g. Enter any credit from line 1 of Part I .....	g. _____
h. Subtract line g from line f .....	h. _____
i. Enter the amount of line e or line h, whichever is smaller .....	i. _____

Transfer the amount on line i to line 2 of Part I. Also, transfer the amount on line a (federal credit) to line 2 in the box to the right of the dollar sign (\$).

### Line 3

#### Investment credit

Enter the amount of investment credit. If you produce goods by manufacturing, processing, mining, agriculture or similar activities; you use certain property for research and development purposes in the experimental or laboratory sense; or you have qualified rehabilitation expenditures on property located in New York State, you can claim an investment credit (Section 606(a) of the Tax Law). To figure this credit, fill in Form IT-212, *Investment Credit*, and attach it to your nonresident return. For more information, see the instructions for Form IT-212.

### Line 4

#### Special additional mortgage recording tax credit

Enter the amount of special additional mortgage recording tax paid to record a mortgage for the purchase of residential property (located in New York State) consisting of more than six dwelling units or the purchase of business property (located in New York State). If you are the lender, enter the amount of special additional mortgage recording tax you paid to record the mortgage for residential property (located in New York State) containing six dwelling units or less with separate cooking facilities. This credit does **not** apply to the tax paid to record the mortgage on a single residential dwelling unit where you are the purchaser. If you are claiming this credit, see additions A-5 and A-6 on page 11 of these instructions.

#### Exceptions:

#### Metropolitan Commuter Transportation District

The special additional mortgage recording tax credit will **not** be allowed on certain mortgages where the real property on which the credit is being claimed is located in the Metropolitan Commuter Transportation District (MCTD) and where the mortgage is recorded on or after May 1, 1987.

The counties comprising the Metropolitan Commuter Transportation District (MCTD) are the counties of Bronx, Queens, Kings, New York, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

The types of mortgages referred to are mortgages of real property principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each dwelling having its own cooking facilities.

#### Niagara Frontier Transportation Authority

The special additional mortgage recording tax credit will **not** be allowed on a mortgage of real property (principally improved or to be improved by one or more structures containing in the aggregate not more than six residential dwelling units, each unit having its own separate cooking facilities) where the real property on which the credit is being claimed is located in Erie County and the mortgage is recorded on or after May 1, 1987.

**Partners** — Include your distributive share of the special additional mortgage recording tax credit from Form IT-204.

**Electing New York S corporation shareholders** — Include your prorated share of the S corporation's special additional mortgage recording tax credit from Form CT-3S.

### Line 5

#### Solar and wind energy credit carryover

Enter the amount of solar and wind energy credit carryover. This carryover can be claimed only if you previously figured the credit as a New York State resident and did not use all of the credit on your prior tax returns. 1985 was the last year that taxpayers filing on a calendar-year basis could claim this credit. Section 606(g)(6) provides that any unused credit can be carried over to the following year or years. Taxpayers carrying over any unused credit from 1986 to 1987 should attach a copy of Form IT-218.1, *Solar and Wind Energy Credit Carryover*, to their 1987 return.

**Line 6****Economic Development Zone (EDZ) Credits****EDZ Wage Tax Credit**

Enter the amount of wage tax credit. In order to claim the wage tax credit, a taxpayer must be certified under Article 18-B of the General Municipal Law as eligible to receive the wage tax credit. The computation of the wage tax credit is limited to five taxable years. The wage tax credit must be computed in the first taxable year during which payments of EDZ wages are made and in each of the four following taxable years (Section 606(k) of the Tax Law).

If you qualify, figure this credit on Form DTF-601, *Claim for Economic Development Zone Wage Tax Credit*, and include the amount on Form IT-203-ATT, line 6. Attach Form DTF-601 to your return. For more information, see Form DTF-601.

**EDZ Capital Corporation Tax Credit**

Enter the amount of capital corporation tax credit. The EDZ capital corporation tax credit is 25% of the consideration paid for original issue stock purchased during the taxable year from one or more economic development zone capital corporations established pursuant to section 964 of the General Municipal Law (Section 606(l) of the Tax Law).

If you qualify, figure this credit on Form DTF-602, *Claim for EDZ Capital Corporation Tax Credit*, and include the amount on Form IT-203-ATT, line 6. Attach Form DTF-602 to your return. For more information, see Form DTF-602.

**EDZ Investment Tax Credit**

Enter the amount of investment tax credit. The EDZ investment tax credit is 8% of the cost (or other federal basis) of qualified property which was acquired, constructed, reconstructed or erected in an economic development zone after its date of designation and prior to its date of expiration as an economic development zone. The taxpayer claiming this credit must also be certified pursuant to Article 18-B of the General Municipal Law (Section 606(l) of the Tax Law).

If you qualify, figure this credit on Form DTF-603, *Claim for Economic Development Zone Investment Tax Credit*, and include the amount on Form IT-203-ATT, line 6. Attach Form DTF-603 to your return. For more information, see Form DTF-603.

**Line 7****Total**

Add lines 1 through 6; enter the total on line 7, and transfer it to Form IT-203, line 55.

**Part II****Other NY State Taxes**

If you are subject to any of the New York State taxes listed below, you must complete Part II and attach Form IT-203-ATT to Form IT-203.

**Line 8****NY State minimum income tax**

Enter your New York State minimum income tax. If you had tax preference items from New York State sources (see Form IT-220, line 18) totaling more than your allowable specific deduction, you may be subject to the New York State minimum income tax. Complete Form IT-220 and attach it to your nonresident return. For more information, see IT-220-I, *Instructions for Form IT-220*.

**Line 9****NY State separate tax on lump sum distributions**

Enter your New York State separate tax on lump sum distributions which were wholly or partly derived from or connected with New York State sources. If you received a lump sum distribution from a qualified retirement plan, which is wholly or partly derived from or connected with New York State sources, and you have elected a forward averaging method of figuring your federal tax on the ordinary income portion of this lump sum distribution, figure your New York State separate tax on Form IT-230 and attach it to your Form IT-203. For more information, see IT-230-I, *Instructions for Forms IT-230 and IT-230.1*.

**Line 10****NY State separate tax on PASS funds**

Enter your New York State separate tax on PASS (parents' and students' savings) funds. A nonresident is subject to this separate tax on PASS funds if he is a former resident of New York State who created a PASS fund while he was a resident and the fund terminates before April 20, 1987 because it no longer has any eligible beneficiaries, or the creator of the fund died without having included a provision in his will or made an inter vivos (living) trust provision to continue the fund after his death.

Fill in Form IT-270 and attach it to your Form IT-203. For more information, see Publication 320, *Tuition Deduction and the PASS Plan*.

**Line 11****Add-back of investment credit on early dispositions**

Enter the amount of add-back of investment credit on early dispositions of investment credit property. If you dispose of property on which an investment credit has been taken or if the property ceases to be in qualified use

before its useful life or specified holding period ends, you must add back in the year of disposition the difference between the investment credit taken and the investment credit allowed. Complete Form IT-212 and attach it to your nonresident return.

**Line 12****Total**

Add lines 8 through 11; enter the total on line 12, and transfer it to Form IT-203, line 57.

**Line 13****Investment credit refund for new businesses**

Enter the amount of investment credit refund for new businesses. If your new business qualifies, you can claim a refund for the amount of your current year's unused investment credit instead of carrying it over to next year. For more information, see IT-212-I, *Instructions for Form IT-212*.

**Important: Also include the amount of your investment credit refund for new businesses on Form IT-203, in the total for line 63. On the dotted line next to line 63 write "ICR" and show the amount.**

**Line 14****Net investment credit available for carryover to 1988**

Enter the amount of net credit available for carryover to 1988 from Form IT-212, line 28.

**Line 15****Net economic development zone credit available for carryover to 1988**

Enter the amount of net credit available for carryover to 1988 from Form(s) DTF-601 or DTF-603.

**Part III****Additional Tax on Unearned Income Worksheet**

The additional tax on unearned income is imposed on every nonresident who has over \$100,000 (\$50,000 if married filing a separate return) in New York adjusted gross income (Form IT-203, line 32) and who has unearned income included in New York adjusted gross income. An example of unearned income is interest or dividend income which is included in a nonresident partner's share of New York State partnership income.

If you are subject to the additional tax on unearned income, complete the worksheet on page 2 of Form IT-203-ATT, using the following instructions, and attach Form IT-203-ATT to Form IT-203.

**Line 3****Federal adjustments to income**

Enter any deductions allowable for federal tax purposes that are properly allocable to or chargeable against the amounts entered on

lines 2, 6 and 7 of this worksheet. However, do not include any deductions that will be used in computing earned income on line 6.

Examples of deductions that must be included on line 3 are: expenses of a trade or business from which you received earned income; expenses of performing services as an employee; payments to a Keogh plan or an IRA; a net operating loss deduction to the extent that the net operating losses carried to the taxable year are properly allocable to or chargeable against earned income.

When the expenses of a business are more than the income from that business, and both personal services and capital are material income-producing factors, include only part of the expenses on line 3. To figure your deduction, multiply the total business expenses of that business by the ratio of a reasonable amount of pay for your services over the gross receipts of that business. You must make the computation separately for each business with a loss. You cannot apply the profits of one business against the losses of another.

## Line 4

### New York subtractions

Enter any New York State subtractions (see page 12) to the extent that they are related to any amounts included on lines 2, 6 and 7 of this worksheet.

## Line 6

### Earned income

Enter your earned income, which includes:

- Wages, salaries, tips and other compensation for personal services actually rendered.
- Bonuses and professional fees.
- Commissions on sales or insurance premiums.
- Prizes and awards received in recognition of personal services.
- Pensions and annuities arising from an employer-employee relationship.
- Taxable group term life insurance.
- Property received as payment for services even if you later transferred the property to someone else.

- Gains (except capital gains) and net earnings from the sale or transfer of an interest in or license for the use of property (other than goodwill) that you created by your personal efforts.
- The portion of income you received from a corporation (including an electing S corporation) that represents a reasonable allowance as compensation for the services you performed for the corporation.
- The entire amount you receive for professional services if you are a doctor, dentist, lawyer, architect, accountant, etc., and you are personally responsible for the services performed (even if your assistants perform all or part of the services).
- Income you receive from a noncorporate trade or business where both personal services and capital are material income-producing factors. In this case, your personal income is a reasonable allowance as compensation for the personal services actually rendered, but not more than the net profits of the business.
- An item of gross income in respect of a decedent if the gross income would have been personal service income for the decedent had he or she lived and received the amount.
- Amounts paid or distributed out of an individual retirement plan (IRA).
- Amounts received as deferred compensation.

Earned income does not include:

- Interest and dividends.
- Other distributions of corporate earnings and profits.
- Gambling gains.
- Capital gains (which are deducted separately on line 7 of the worksheet).
- Premature or excess distributions from a qualified employee pension plan under Internal Revenue Code Section 72(m)(5).
- Lump-sum distributions from pensions or other plans taxed under Internal Revenue Code Section 402(e).
- Certain distributions from individual retirement accounts or annuities described in Internal Revenue Code Sections 408(e)(2), (3), (4) and (5).

- Redemption of retirement bonds includable in income under Internal Revenue Code section 409(b) or (c).
- Unemployment insurance.

## Line 8

### New York additions

Enter any New York State additions (see page 11) to the extent that the adjustments are related to any amounts included on lines 2, 6 and 7 of this worksheet.

## Line 9

### Allowable deductions

Enter the following deductions if you paid or incurred them during 1987, they were not deducted when figuring New York adjusted gross income and they are directly related to unearned income that is included in New York adjusted gross income.

- Interest or indebtedness incurred or continued to purchase or carry obligations or securities.
- Ordinary and necessary expenses for the production or collection of income, or the management, conservation or maintenance of property held for the production of income.
- Amortization of bond premiums.

## Line 15

Divide the amount on line 14 by \$100,000 and carry the result to four decimal places. For example, if the amount on line 14 is \$76,548, divide this amount by \$100,000 and enter the result, .7655, on line 15.

# Schedule A – Page 2

## Allocation of wage and salary income to New York State

Complete this schedule if you earned income inside and outside New York State, and your income is not based on the volume of business transacted.

**Failure to complete Schedule A and attach to your Form IT-203 will result in a delay in the processing of your return.**

For more information about Schedule A, see page 8 of these instructions.