



Instructions for Form IT-230 Separate Tax on Lump-Sum Distributions

IT-230-I

General Instructions

If you are a New York State resident, nonresident, part-year resident, estate or trust and you used federal Form 4972 to figure your federal tax on lump-sum distributions, you must use New York State Form IT-230 to figure your New York State separate tax on lump-sum distributions. You must make the same elections on Form IT-230 as you made on federal Form 4972. To make those elections, fill in the same parts of Form IT-230 that you filled in on federal Form 4972.

If you are a city of New York resident or a part-year city of New York resident, also figure your city of New York separate tax on Form IT-230.

If you are a city of Yonkers resident, figure your city of Yonkers resident tax surcharge on Form IT-201, based on your New York State separate tax on lump-sum distributions. You do not have to figure a separate tax on Form IT-230.

If you and your spouse are filing a joint return and you each have received a lump-sum distribution, complete and file a separate Form IT-230 for each spouse and combine them on Form IT-201-ATT, line 8 or Form IT-203-ATT, line 8.

If you are filing for a trust that shared the distribution only with other trusts, figure the tax on the entire distribution first. The trusts then share the tax in the same proportion that they shared the distribution.

Tax on prior year lump-sum distributions - If you received another lump-sum distribution or an annuity contract for any year after 1982 and before 1988 and used Form IT-230 or Form IT-230.1 for that year, add those distributions to your 1988 distribution and figure your tax on Form IT-230 for 1988, using the combined distributions. From that result, subtract the tax you paid on the lump-sum distributions on Form IT-230 or Form IT-230.1 for the earlier years. Show the subtraction under the applicable line. For example, subtract the tax you paid for the earlier years from the tax reported on the combined distributions on Part III or Part IV, line 21.

Multiple recipient of lump-sum distribution - If you shared a lump-sum distribution from a qualified retirement plan when not all recipients were trusts, fill in the same parts of Form IT-230 that you filled in on federal Form 4972. Then figure your tax on the following worksheet:

| | | | | |
|---|--|---|----------------|------------------|
| a | Enter your percentage of the total distribution | a | | % |
| b | Multiply line a by the amount on line 20, Part III or IV, Form IT-230. Enter the result here (city of New York residents and part-year city of New York residents use both columns) | b | New York State | City of New York |
| c | Enter the amount from line 2, Part II, Form IT-230 | c | | |
| d | Add lines b and c. Enter here and on Form IT-201-ATT, line 8, or Form IT-203-ATT, line 8 or Form IT-205, page 1, line 16. For residents of the city of New York and part-year city of New York residents, also transfer line d, City of New York column, to Form IT-201-ATT, line 17, or to Form IT-203-ATT, line 17 or to Form IT-205, page 1, line 23. | d | | |

must determine what percentage of your total compensation is New York compensation using this formula:

$$\frac{\text{New York State compensation}^*}{\text{Total compensation}^{**}} = \text{Percentage of total compensation attributable to New York State}$$

* Use the amounts of all such compensation included in your New York adjusted gross income for the part of the taxable year immediately prior to retirement and the three taxable years preceding the retirement year.

** Use the total of all such compensation included in your adjusted gross income (federal) for the part of the taxable year immediately prior to retirement and the three taxable years preceding the retirement years.

The result must be carried to four decimal places. For example, if the amount used in the computation was \$30,000 divided by \$90,000, the result would be .3333 (33.33%).

Example: You are a nonresident who performed services partly within New York State as an employee. You retired on July 1, 1988, and used New York State Form IT-230 to report your separate tax on lump-sum distributions. Assuming that the percentages for allocating your salary to New York State were 50% for 1985, 60% for 1986, 75% for 1987, and 40% for 1988, the percentage used to allocate your separate tax on lump-sum distributions is computed as follows:

| Tax year | Total compensation | New York part |
|-----------------|--------------------|-----------------|
| 1985 | \$ 40,000 | (50%) \$20,000 |
| 1986 | 40,000 | (60%) 24,000 |
| 1987 | 40,000 | (75%) 30,000 |
| 1988 (6 months) | 20,000 | (40%) 8,000 |
| Totals | \$140,000 | \$82,000 |

$$\frac{\$ 82,000}{\$140,000} = 58.57\% \text{ (percentage of total compensation attributable to New York State)}$$

New York State nonresidents: If lump-sum distributions are attributable to services performed wholly inside New York State, the entire distribution is subject to the New York State separate tax on lump-sum distributions.

If you received a lump-sum distribution attributable to services performed only partly within New York State, you

Apply the resulting percentage to the amount on Form IT-230, Part II, line 2 or Parts III and IV, line 10. Enter the amount allocated to New York State on the dotted portion of line 10 and write "Allocated to NYS" next to it. Complete the balance of Form IT-230 using the allocated amount. If you are a nonresident who filled in the multiple

IT-230-I (1988)(back)

recipient worksheet in these instructions, apply the resulting percentage to line d of the worksheet. Enter the result on Form IT-203-ATT, line 8 and write "Allocated to NYS" next to it.

These calculations must be shown on a schedule which you prepare and mark "Lump-Sum Distribution Allocation Schedule." Attach this schedule to the back of your Form IT-230.

Part-year residents - See instructions for Form IT-203 for information on reporting the total taxable amount of lump-sum distributions.

City of New York nonresidents - A nonresident of New York City is not subject to the city separate tax on lump-sum distributions.

Retired officers or employees of New York State or its political subdivisions - Pension income you received from New York State or its political subdivisions is not subject to the separate tax on lump-sum distributions for New York State, New York City or Yonkers purposes. To satisfy the filing requirement, fill in Part I and only line 1 of the part(s) of Form IT-230 that corresponds to federal Form 4972. Write in Part I: "From New York State or political subdivision."

If in addition to a lump-sum distribution received from New York State or its political subdivision you are reporting on federal Form 4972 a lump-sum distribution from another source, include on Form IT-230 only the portion received from the other source. Attach to Form IT-230 a statement showing the source and amount of each lump-sum distribution you reported on federal Form 4972.

Line-by-Line Instructions

Part I - All filers must answer the question in Part I. If you answered "No," do not complete the rest of Form IT-230.

Parts II, III and IV - If you answered "Yes" to the question in Part I, fill in the same parts of Form IT-230 that you filled in on federal Form 4972.

Death benefit exclusion - The death benefit exclusion allowed on federal Form 4972 will also be allowed on Form IT-230. However, if the sum of the capital gain and/or ordinary income part of the lump-sum distribution reported for federal purposes includes a lump-sum distribution from a pension plan of a deceased employee of New York State or its political subdivisions, the exclusion allowable for New York State purposes is determined by multiplying the federal exclusion by a fraction whose numerator is the sum of the capital gain and/or ordinary income part subject to New York State separate tax, and whose denominator is the sum of the capital gain and/or ordinary income part reported for federal purposes.

Part III, Lines 12 and 18 - Use the *New York State Tax Table* (Single column) in Form IT-201 instructions for this purpose no matter what method you use to figure the tax on your other income and no matter whether you are filing Form IT-205. If you are a city of New York resident or a part-year city of New York resident, also use the *City of New York Tax Table* (Single column) in Form IT 201 instructions.

Parts III and IV, Line 14 - Decimals should be carried to five places and rounded to four places. Drop amounts 4 and under (.44454 becomes .4445). Round amounts 5 and over up to the next number (.44456 becomes .4446).

Part IV, Lines 12 and 18 - Use the tax rate schedule below to complete Part IV, lines 12 and 18 (*city of New York residents and part-year city of New York residents, use both schedules*).

Tax Rate Schedules for Part IV of Form IT-230

New York State Tax Rate Schedule

If Part IV, line 11 or 17 is:

| but | | enter on Part IV, line 12 or 18 in New York State column | | | |
|--------|----------|--|-------|----------------|---------|
| over | not over | 2% of taxable amount | | | |
| \$ 0 | \$ 1,000 | | | | |
| 1,000 | 3,000 | \$20 plus | 3% | of excess over | \$1,000 |
| 3,000 | 5,000 | 80 plus | 4% | " " | 3,000 |
| 5,000 | 7,000 | 160 plus | 5% | " " | 5,000 |
| 7,000 | 9,000 | 260 plus | 6% | " " | 7,000 |
| 9,000 | 11,000 | 380 plus | 7% | " " | 9,000 |
| 11,000 | 13,500 | 520 plus | 8% | " " | 11,000 |
| 13,500 | 16,000 | 720 plus | 9% | " " | 13,500 |
| 16,000 | 18,500 | 945 plus | 10% | " " | 16,000 |
| 18,500 | 21,000 | 1,195 plus | 11% | " " | 18,500 |
| 21,000 | 23,500 | 1,470 plus | 12% | " " | 21,000 |
| 23,500 | 26,000 | 1,770 plus | 13% | " " | 23,500 |
| 26,000 | | 2,095 plus | 13.5% | " " | 26,000 |

City of New York Tax Rate Schedule

If Part IV, line 11 or 17 is:

| but | | enter on Part IV, line 12 or 18 in City of New York column | | | |
|--------|----------|--|------|----------------|---------|
| over | not over | 0.9% of taxable amount | | | |
| \$ 0 | \$ 1,000 | | | | |
| 1,000 | 3,000 | \$ 9 plus | 1.4% | of excess over | \$1,000 |
| 3,000 | 5,000 | 37 plus | 1.8% | " " | 3,000 |
| 5,000 | 7,000 | 73 plus | 2.0% | " " | 5,000 |
| 7,000 | 9,000 | 113 plus | 2.3% | " " | 7,000 |
| 9,000 | 11,000 | 159 plus | 2.5% | " " | 9,000 |
| 11,000 | 13,000 | 209 plus | 2.7% | " " | 11,000 |
| 13,000 | 15,000 | 263 plus | 2.9% | " " | 13,000 |
| 15,000 | 17,000 | 321 plus | 3.1% | " " | 15,000 |
| 17,000 | 19,000 | 383 plus | 3.3% | " " | 17,000 |
| 19,000 | 21,000 | 449 plus | 3.5% | " " | 19,000 |
| 21,000 | 23,000 | 519 plus | 3.8% | " " | 21,000 |
| 23,000 | 25,000 | 595 plus | 4.0% | " " | 23,000 |
| 25,000 | | 675 plus | 4.3% | " " | 25,000 |