



# Instructions for Forms CT-3-A, CT-3-A/ATT and CT-3-A/B General Business Corporation Combined Franchise Tax Return, Investment Capital and Subsidiary Capital Schedules and Subsidiary Detail Spreadsheet Tax Law — Article 9-A

# CT-3-A-I

**New Filing Requirements** — For tax years beginning in 1995, Form CT-3-A, *General Business Corporation Combined Franchise Tax Return*, and the filing requirements for combined groups have changed. Prior to 1995, each member of a combined group was required to file an individual Form CT-3. The filing of individual returns on Form CT-3 is no longer required. Instead, each member of the combined group, except the parent and any non-taxpayer (a foreign corporation not taxable in New York State) included in the group, must file its individual certification on Form CT-3-A/C, *Report By a Corporation Included in a Combined Franchise Tax Return*.

The combined group is also required to file Form CT-3-A/B, *Subsidiary Detail Spreadsheet*, which is a breakdown schedule of all the individual subsidiary information. Form(s) CT-3-A/ATT may also be required. See *Other Forms and Taxes Which May Be Applicable* on this page.

**General Information** — Although the parent corporation is not necessarily the corporation which files Form CT-3-A, for purposes of this form, the corporation responsible for filing this form shall be designated the parent. Any other corporations included in the combined return shall be designated subsidiaries and must each file Form CT-3-A/C, except a non-taxpayer included in the group.

You must get permission from the New York State Tax Department before filing as a combined group. You must also get permission to include in your combined return corporations not previously included or to exclude corporations previously included. Use Form AU-2.1, *Request for Permission to File a Combined Return or to Change an Existing Combined Group*, to request permission.

Corporations applying for permission must meet the following requirements:

- (1) the corporations must be operating a unitary business;
- (2) filing on a separate basis would distort New York activities, business income or capital; and
- (3) the corporations must also meet the 80% ownership or control test.

See New York State Codes, Rules and Regulations, Title 20 (20 NYCRR), sections 6-2.1 through 6-2.7, for complete details.

Alien corporations (except alien FSCs) and corporations that make an election under section 936 of the Internal Revenue Code (IRC) are not allowed to be included in a New York State Combined Return.

**Extension of Time to File for Combined Filers** — Use Form CT-5.3, *Request for Six-Month Extension to File (Combined Franchise Tax Return, Combined MTA Surcharge Return, or Both)* to request an extension of time to file a combined return and to provide detailed information about the group, including names, identification numbers and the amounts and kinds of payments made by the members of the group.

## Other Forms Required

**Form CT-3-A-ATT, *Investment Capital and Subsidiary Capital Schedules***, should be filed only by those members of the combined group that have investment capital or subsidiary capital.

**Form CT-3-A/B, *Subsidiary Detail Spreadsheet***, is a breakdown form on which all the individual member information is included. The lines on this form are identical to the lines on Form CT-3-A. Therefore separate line instructions are not needed.

**Form CT-3-A/C, *Report by a Corporation Included in a Combined Franchise Tax Return***, is an individual form that must be filed by each member of the New York State combined group, except the parent corporation and any non-taxpayer included in the group. No remittance of tax is required with this form.

All Forms CT-3-A/B, CT-3-A/C and CT-3-A/ATT should be attached to the parent corporation's CT-3-A.

## Special Instructions for DISCs

A domestic international sales corporation (DISC) is a corporation that meets the requirements of section 992(a) of the IRC. Investments in the stock of a DISC or debts of a DISC must be treated as business capital. Stockholders of DISCs must report all income from DISCs included in federal taxable income as business income and cannot make any adjustments to income on lines 10 and 11 of Form CT-3-A unless actual dividend distributions were paid out of earnings and profits as provided in section 996 of the IRC.

**Tax-Exempt DISC** — A DISC is exempt from tax under Article 9-A of the Tax Law, if during the year it received more than 5% of its gross receipts from the sale or rental of property obtained from stockholders, or received more than 5% of its total receipts, other than sales or rentals, from its stockholders. It must file an information report on Form CT-3-B on or before the 15th day of the ninth month after the end of the return year. Stockholders of tax-exempt DISCs which are included in a combined group must file a consolidated return with the DISC on Form CT-3-C, and then transfer this information to the combined return.

**Taxable DISC** — A parent corporation may elect to file a combined return with a taxable DISC, if it owns more than 80% of the DISCs voting capital stock. The entire net income of a taxable DISC is zero.

A taxable DISC is one not meeting the 5% gross receipts test.

**Taxable FSCs** — All foreign sales corporations (FSCs), including those that are alien (formed outside the United States) corporations, may be permitted or required to file a combined return with its corporate parent shareholder. For a special rule regarding computation of entire net income of a FSC, see section 3-2.2(d) of the regulations.

## Other Forms and Taxes Which May Be Applicable

**Form CT-3M/4M, *General Business Corporation MTA Surcharge Return***, must be filed by a combined group taxable under Article 9-A that does business, employs capital, owns or leases property or maintains an office in the Metropolitan Commuter Transportation District (MCTD).

The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

**Form CT-5.3, *Request for Six-Month Extension to File (Combined Franchise Tax Return, Combined MTA Surcharge Return, or Both)*** must be used by a combined group to request a six-month extension of time to file a combined franchise tax return and to provide detailed information about the amounts and kinds of payments made by the members of the group.

**Form CT-5.1, *Request for Additional Extension of Time to File For Franchise/Business Taxes, MTA Surcharge, or Both***, is a request for additional time to file a tax return. File it on or before the expiration date of the original extension.

**Form CT-399, *Depreciation Adjustment Schedule***, must be used by each corporation to compute the allowable New York State depreciation deduction if it claims the federal Accelerated Cost Recovery System (ACRS) depreciation and Modified Accelerated Cost Recovery System (MACRS) deduction for certain property placed in service after December 31, 1980.

This form also contains schedules for determining a New York State gain or loss on the disposition of ACRS or MACRS property. It is also used to compute the depreciation adjustment for the minimum taxable income base.

**Form CT-222, *Underpayment of Estimated Tax by a Corporation***, will help the combined group determine if they have underpaid an estimated tax installment and, if so, compute the penalty due.

**Form CT-240, *Foreign Corporation License Fee Return***, must be filed by each member of the combined group organized outside New York State (foreign corporations) in order to pay the license fee based on capital stock. This return must be filed when the corporation files its first franchise tax return, or if capital stock employed in New York State has increased since the last license fee report was filed. For more details see Form CT-240.

**Form CT-244, *Acquisition, Merger and Consolidation Information Report***, must be filed by any corporation taxable under Article 9-A that is involved in an acquisition, merger or consolidation.

**Form CT-3-B, *Tax-Exempt Domestic International Sales Corporation (DISC) Information Return***, must be filed by domestic international sales corporations on or before the 15th day of the ninth month after the end of the tax year. See *Special Instructions for DISCs* (page 1 of these instructions).

**Form CT-33-D, Tax on Premiums Paid or Payable to an Unauthorized Insurer**, must be filed by each corporation that purchased or renewed a taxable insurance contract from an insurer not authorized to transact business in New York State. This return must be filed within 60 days following the end of the calendar quarter in which the contract was purchased or renewed.

**Form CT-186-A, Utility Services Tax Return — Gross Operating Income**, (Article 9, section 186-a) must be filed by each corporation not supervised by the New York State Department of Public Service that engages in the sale or furnishing of gas, electricity, steam, water, or refrigeration. The corporation must pay a tax of 3.5% on its gross operating income.

**Form CT-186-E, Telecommunications Tax Return and Utility Services Tax Return**. A corporation subject to tax under Article 9-A, that also provides telecommunication services, must pay a tax of 3.5% on its gross receipts from the provision of telecommunication services. For further information see Form CT-186-E-I, *Instructions for Form CT-186-E, Telecommunications Tax Return and Utility Services Tax Return*.

**Form CT-189, Tax on Importation of Gas Services** — Article 9, section 189, imposes a tax on each corporation that imports, or causes to be imported, gas for its own use. The tax is computed at the rate of 4¼% of the consideration given for the gas. (See TSB-M-91(5)C for more information.)

**Form CT-400, Estimated Tax for Corporations**, must be filed by a combined group whose New York State tax and state tax surcharge liability in the aggregate can reasonably be expected to exceed \$1,000. See *Estimated Tax, State Tax Surcharge and MTA Surcharge*, below.

**Form CT-3360, Federal Changes to Corporate Taxable Income**, must be filed by the combined group to report any correction made by the Internal Revenue Service in taxable income previously reported for any year, including changes based on the renegotiation of a government contract.

**Sales and Use Tax** — If any corporation sells goods or services delivered in New York State it may have to collect and remit the New York State sales and use tax.

**Employer's Withholding Tax** — If any corporation hires anyone to help operate its business in New York State you must withhold and remit New York State (and New York City and Yonkers, if applicable) income taxes from the wages of its employees.

**Motor Fuel Taxes** — Motor fuel distributors and diesel motor fuel distributors or users in New York State must register with the Tax Department and file the appropriate tax returns.

**Highway Use Taxes** — Any motor vehicle having a maximum gross weight, alone or in combination with another motor vehicle, of more than 18,000 lbs. is subject to this tax.

**Unrequested Refunds to be**

**Credited Forward** — If the group overpays its tax, it will not automatically receive a refund. Instead, we will credit your overpayment to the following tax year unless you request a refund. We will notify you that the overpayment has been credited. You may then claim a refund of the overpayment before the original due date of the following year's return.

Requests for refunds due to overpayment of tax must be made on Form CT-3-A.

**Forms for Requesting Refunds**

**Form CT-8, Claim for Credit or Refund of Corporation Franchise Tax Paid**, is used to request a refund other than from an overpayment. To speed up processing of the claim, mail it separately from your annual return. A claim for refund based on a net operating loss carryback must be filed within three years of the extended due date of the return for the loss year or within 27 months from the date of the federal credit or refund. A refund based on a federal change must be filed within two years from the date the federal change was required to be reported. All other claims for refunds must be received within three years from the date the return was filed, or two years from the date the tax was paid, whichever is later.

**When and Where to File**

File your return within 2½ months after the end of your reporting period. If your filing date falls on a Saturday, Sunday, or legal holiday, file your return on or before the next business day. **1996 calendar-year filers:** Since the legal filing date of March 15, 1997, falls on a Saturday, you have until Monday, March 17, 1997, to file your return.

**Mail returns to:** NYS CORPORATION TAX PROCESSING UNIT  
PO BOX 1909  
ALBANY NY 12201-1909

If you cannot meet the filing deadline, request a six-month extension of time by filing Form CT-5.3.

For more information, contact the Taxpayer Assistance Bureau. See the last page of these instructions for address and telephone numbers.

**Tax Rates**

The current tax rates are:

Entire net income base .....	.09
Entire net income base for qualified small business taxpayers with:	
Entire net income base of \$200,000 or less .....	.08
Entire net income base of more than \$200,000 but not more than \$290,000	
1. \$16,000 plus	
2. 9% of amount over \$200,000 but not over \$290,000 plus	
3. an additional 5% of amount over \$250,000 but not over \$290,000	
Capital base .....	.00178
Minimum taxable income base .....	.035

You must compute a fixed dollar minimum tax for each member of the combined filing group, except a foreign corporation that is included in the combined group but is not taxable in New York State. The fixed dollar minimum tax consists of four levels:

For a corporation with a gross payroll of:	The fixed dollar minimum tax is:
— \$6,250,000 or more .....	\$1,500
— Less than \$6,250,000 but more than \$1,000,000 .....	\$425
— \$1,000,000 or less .....	\$325
— However, if the corporation's gross payroll, total receipts and average value of gross assets are each \$1,000 or less .....	\$800

Other tax rates are:

Subsidiary capital base .....	.0009
Qualified cooperative housing capital base .....	.0004
State Tax Surcharge	
(for periods ending after June 30, 1995, and before July 1, 1996) .....	7½% (.075)
(for periods ending after June 30, 1996, and before July 1, 1997) .....	2½% (.025)

**Short periods — Fixed Dollar Minimum Tax**  
Annualize gross payroll for tax periods of less than 12 months by dividing the amount of gross payroll by the number of months in the short period and multiplying the result by 12.

The fixed dollar minimum tax may be reduced for short periods:

Period	Reduction
— A period of not more than 6 months .....	50%
— A period of more than 6 months but not more than 9 months .....	25%
— A period of over 9 months .....	None

**How to Avoid an Erroneous Assessment Based on Fixed Dollar Minimum Tax Rates** —

The fixed dollar minimum tax rate has four levels. The amount of the tax ranges from \$325 to \$1,500.

Your fixed dollar minimum tax is determined by the corporation's gross payroll, total receipts and average value of gross assets.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount in each of the three boxes provided on Form CT-3-A, line 72 for the parent and on Form CT-3-A/C line 1 for each taxable subsidiary. If you do not have assets, payroll or receipts, enter "0" in the appropriate boxes.

Failure to make an entry in each box may result in an assessment of tax or reduction of your refund.

**Cooperative Housing Corporations** —

A qualified cooperative housing corporation is entitled to use a reduced tax rate of .0004 when computing its tax using the capital base.

A corporation that has only one class of stock that entitles the shareholder to live in a house or an apartment in a building owned or leased by the corporation, may be a cooperative housing corporation. For a complete definition, see IRC section 216 or 20 NYCRR 3-1.2.

**Estimated Tax, State Tax Surcharge and MTA Surcharge** —

If the combined group's New York State franchise tax and state tax surcharge liability can reasonably be expected to exceed \$1,000, the combined group must file a declaration of estimated tax.

If this expectation arises before the 1st day of the 6th month of your tax year, file this declaration on or before the 15th day of the 6th month of that year. Include with it a payment of ⅓ of the estimated tax liability. If you made an initial payment with the preceding year's tax return or applied an overpayment of the tax from that return, deduct this amount from the

estimated tax before computing the  $\frac{1}{3}$  payment. Additional  $\frac{1}{3}$  payments are due on the 15th day of the 9th and 12th months. If you report for the calendar year, file a declaration of estimated tax on June 15, September 15 and December 15.

If the expectation of a tax liability of more than \$1,000 arises on or after the first day of the 6th month of your tax year, see 20 NYCRR 7-2.3.

A declaration of estimated tax may be amended.

A penalty will be imposed if you fail to file a declaration of estimated tax or fail to pay all or any part of an installment payment of estimated tax. (See instructions on this page.)

Penalty will not be due on an installment if the total estimated franchise tax and tax surcharge payments made on or before an installment due date equals or exceeds the amount that would have been required to be paid on or before that date if the amount of the estimated tax and tax surcharge were the smallest of:

**For large corporations** — a combined group that had (or whose predecessor had) allocated entire net income of at least one million dollars for any of the three tax years immediately preceding the tax year involved:

1. One hundred percent (100%) of the current year's franchise tax and tax surcharge.
2. One hundred percent (100%) of the franchise tax and tax surcharge for the current year computed on an annualized basis.
3. One hundred percent (100%) of the franchise tax and tax surcharge for the current year computed on a recurring seasonal income basis.

**For all other combined groups:**

1. Ninety-one percent (91%) of the current year's franchise tax and tax surcharge shown.
2. One hundred percent (100%) of the franchise tax and tax surcharge for the preceding tax year (if it was a period of 12 months).
3. One hundred percent (100%) of the franchise tax and tax surcharge computed using current tax rates applied to last year's facts and laws.
4. Ninety-one percent (91%) of the franchise tax and tax surcharge for the current year computed on an annualized basis.\*
5. Ninety-one percent (91%) of the franchise tax and tax surcharge for the current year computed on a recurring seasonal income basis.\*

\* To avoid underpayment penalties, you must make up a reduction in an estimated franchise tax and tax surcharge payment resulting from using annualized income or seasonal income (exception 4 or 5) by increasing the amount of the next installment determined under exceptions 1, 2 or 3 by the amount of such reduction.

The above penalty provisions also apply if you fail to file a declaration of estimated MTA surcharge or fail to pay all or any part of an installment payment of MTA surcharge.

**Late Payment — Interest** — If the combined group does not pay the tax, state tax surcharge and MTA surcharge, if applicable, due on or before the original due date, you must pay interest on the amount of the underpayment from the original due date (determined without regard to an extension of time to file) of the return to the date the tax and tax surcharges are paid. Exclude from the interest computation any amount shown on line 85a or 85b, first installment of estimated tax for next period. Interest is always due, without any exceptions, on any underpayment of tax. An extension of time for filing does not extend the due date for payment of tax.

## Late Filing and Late Payment —

**Additional Charges** — Additional charges for late filing and late payment are computed on the amount of tax, state tax surcharge and MTA surcharge, if applicable, less any payment made on or before the due date determined with regard to any extension of time for filing. Exclude from the penalty computation any amount shown on line 85a or 85b, first installment of estimated tax for the next period.

- A If you do not file a return when due or if the request for extension is invalid, add to the tax 5% per month, up to a total of 25% (section 1085(a)(1)(A)).
- B If you do not file a return within 60 days of the due date, the addition in item A cannot be less than the smaller of \$100 or 100% of the amount required to be shown as tax (section 1085 (a)(1)(B)).
- C If you do not pay the tax shown on a return, add to the tax  $\frac{1}{2}$ % per month, up to a total of 25% (section 1085 (a)(2)).
- D The total of the additional charges in items A and C may not exceed 5% for any one month except as provided for in item B (section 1085 (a)).

If the combined group thinks it is not liable for these additional charges, attach a statement to your return explaining the delay in filing, payment, or both (section 1085).

**NOTE:** You may have the interest (line 90) and penalty (line 91) computed for you by calling the Business Tax Information Center at the number listed in *Need Help?*.

## Penalties for Understating Tax or Underpaying Estimated Tax —

If the tax you report is understated by 10% or \$5,000, whichever is greater, you will have to pay a penalty of 10% of the amount of understated tax. You can reduce the amount on which you pay penalty by subtracting any item for which (1) there is or was substantial authority for the way you treated it, or (2) there is adequate disclosure on the return or in an attached statement (see Article 27, section 1085(k)).

If you can reasonably expect your New York State franchise tax and tax surcharge liability to exceed \$1,000, you must file a declaration of estimated tax, Form CT-400. A penalty will be imposed if you fail to file a declaration of estimated tax or fail to pay the entire installment payment of estimated tax due. For complete details see *Estimated Tax, State Tax Surcharge and MTA Surcharge* on this page and Form CT-222, *Underpayment of Estimated Tax by a Corporation*.

## Penalties for Failure to Provide Information Relating to Interest Paid to Shareholders or Information Relating to Your Issuer's Allocation Percentage

Section 1085(n) of the Tax Law provides for a penalty of \$500 for failure to provide information about interest payments made to shareholders that were deducted in computing entire net income. See instructions for line 109 (Article 27, section 1085(n)).

Section 1085(o) of the Tax Law provides for a penalty of \$500 for failure to provide information needed to compute your issuer's allocation percentage. See instructions for line 41.

## Civil and Criminal Penalties —

The Omnibus Tax Equity and Enforcement Act imposes strong civil and criminal penalties for negligence or fraud. For more information about this act contact the Taxpayer Assistance Bureau (address and telephone numbers on the last page of these instructions).

## Net Operating Loss Deduction

Each corporation must separately determine a New York State net operating loss deduction.

Special net operating loss provisions apply to aviation corporations and corporations involved with mergers, acquisitions or consolidations.

Any carryback or carryforward from a year in which a combined return was filed must be based upon the combined net operating loss of the group of corporations filing the return. The portion of the combined loss attributable to any member of the combined group, which files a separate report for a preceding or succeeding taxable year, will be an amount bearing the same relation to the combined loss as the net operating loss of such corporations bears to the total net operating loss of all member corporations having losses.

These rules apply:

- IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b) and (g).
- You may carry net operating losses forward 15 years.
- If the combined group elects to carry back a net operating loss, the group may only carryback the first \$10,000 of the combined net operating loss to the preceding three years.
- Any portion of the combined NOL not used as a carryback may be carried forward.
- If you have elected for federal tax purposes to relinquish the three-year carryback of a net operating loss, you may not carry back a net operating loss for state tax purposes, and you must submit a copy of your federal election.
- A New York C corporation is not allowed a deduction for a net operating loss sustained during a New York S year.
- Enter the net operating loss carryforward on Form CT-3-A, line 13.
- Attach a separate sheet to Form CT-3-A, providing details of both the federal and New York State net operating losses claimed.
- A real estate investment trust will be allowed a deduction for net operating losses.
- These rules also apply to a federal S corporation not electing New York S corporation treatment and corporations included in a group reporting on a consolidated basis for federal tax. These corporations must carry losses to the same year and in the same manner as provided in these instructions with one exception: Instead of a copy of the federal election to relinquish the three-year carryback of a net operating loss, a request in writing to relinquish the carryback must be filed on or before the due date (or extended due date) of the return for the loss year. Any combined group that does not make a timely election with the Tax Department must carry the first \$10,000 of the combined net operating loss back before the loss can be carried forward.

## Alternative Net Operating Loss Deduction (Minimum Taxable Income Base) —

An alternative net operating loss deduction (ANOLD) is allowed for tax years beginning on or after January 1, 1994. This deduction, to be entered on line 58, is determined in the manner described above for computing the regular net operating loss deduction except that:

- The net operating loss for any year beginning after 1989 that is included in the ANOLD must be redetermined with the adjustments and tax preferences required to be utilized in computing the minimum taxable income for that year. (Note that the required add-back of regular NOLD is not such an adjustment or tax preference.) An item of tax preference is taken into account only to the extent it increased the regular net operating loss.
- Loss carryforwards and carrybacks are to be applied against a figure equal to 90% (except as provided below) of minimum taxable income (computed without regard to ANOLD), rather than against entire net income.
- For any tax year beginning in 1994, the ANOLD may not exceed 45% of the minimum taxable income for the year (computed without regard to the ANOLD).

For details see TSB-M-94(5)C.

## Aviation Corporations — Net Operating Loss Deduction

Corporations principally engaged in aviation are taxable under Article 9-A and are permitted to claim a net operating loss deduction in the same manner as other Article 9-A corporations. Air freight forwarders acting as principal and like indirect carriers are limited to net operating losses sustained in years that they were taxable under Article 9-A.

Aviation corporations (other than air freight forwarders acting as principal and like indirect air carriers) will be allowed to carry forward any net operating losses sustained during the federal tax periods covering the years 1985 through 1988 if they were taxed under Article 9, sections 183 and 184 during those periods.

The New York State net operating loss must be computed as if the corporation had filed Form CT-3 for the tax years 1985 through 1988 and treated as if the loss had been sustained in the tax year immediately preceding its first Article 9-A tax year. The 1985-1988 net operating loss must be carried forward.

## Merger, Acquisition and Consolidation — Net Operating Loss Deduction —

In general, in a highly leveraged transaction (corporate acquisition, merger or consolidation), any net operating loss of a target corporation, from prior years or a loss sustained in the year of merger or acquisition, cannot be used by the acquiring corporation. For complete details see Form CT-244-1, *Instructions for Form CT-244*, and TSB-M-89(17)C.

## Foreign Airlines —

Foreign airlines that have a foreign air carrier permit pursuant to section 402 of the Federal Aviation Act of 1958 are entitled to exclude from entire net income all income from international operations effectively connected to the United States, foreign passive income and income earned from overseas operations, provided the

foreign country in which the airline is based has a similar exemption from tax with respect to United States airlines.

Foreign airlines may also exclude business and investment assets used in connection with the exempt income from the tax computed on capital.

The business allocation formula used by these foreign airlines is the regular Article 9-A business allocation formula based on receipts, payroll and property, as opposed to the special airline formula based on arrivals and departures, with modifications.

However, if the country in which the foreign airline is based does not provide a similar exemption from tax with respect to United States airlines, the foreign airline is not entitled to the exclusions from income and capital described above and must use the special airline allocation formula.

For further information see TSB-M-94(2)C.

## Change of Business Information

If there have been any changes in any member corporation's business name, identification number, mailing address, business address, telephone number or owner/officer information and you have not previously notified us, complete Form DTF-95, *Change of Business Information*. If you don't have a form, call toll free 1 800 462-8100. From areas outside the U.S. and Canada, call (518) 485-6800 to request one.

**Change of Address —** If your address has changed, enter your new address on the label and check the box next to the name and address block at the top of your corporation tax return. Do not check this box for any change of business information other than address. You must still attach the preprinted label with the old address to enable us to update your account.

## Dissolution or Surrender of

**Authority —** Legal dissolution or surrender of authority requires the consent of the Commissioner of Taxation and Finance. Do not mark a franchise tax return as *final* or *Out of Business* unless you have first contacted our Dissolution Unit. For detailed information about legal dissolution or surrender of authority see Publication 110, *Information and Instructions for Termination of Business Corporations*.

Any corporation included in the combined return is required to file a return on the date of cessation or the date of change of classification. However, if a corporation that is taxed on the basis of a combined return, ceases to be subject to tax under Article 9-A or ceases to exercise its franchise but remains subject to tax, it may secure the permission of the Tax Commissioner to be included in the next combined return, if it pays the fixed dollar minimum tax at the time of application for permission. (Reg. section 2-3.1(d))

**Processible Forms —** Returns must be prepared in a manner that will permit their routine handling and processing. Interest will not be paid on an overpayment of taxes until the return is in a processible form.

See Publication 76, *Specifications for Reproduction of New York State Corporation Tax Forms*. To order, see back page.

## Use of Reproduced and

**Computerized Forms —** Photocopies of returns are acceptable if they are of good quality and are signed in the proper place.

Computer-produced corporation tax returns will be accepted if they meet our printing specifications. For more information see Publication 76, *Specifications for Reproduction of New York State Corporation Tax Forms*.

**Form CT-3-A/B Exception:** A computer printout that replicates all the information requested on Form CT-3-A/B may be substituted for the actual form. The printout may be reduced to fit on an 8½ by 11 inch sheet of paper. This exception applies to Form CT-3-A/B only. It does not apply to Form CT-3-A, or any other corporation tax form.

**Do You Need a Tax Packet? —** If you use a paid preparer, or if you use computer software to prepare your return, or if for any other reason you do not need a tax packet mailed to you for next year's taxes, please check the box above the certification and signature. When you check the box, we will send you a mailing label that you or whoever prepares your return should use on your 1997 return. By checking this box, you will help us reduce printing and mailing costs.

**Signature —** The combined return (Form CT-3-A) must be certified by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer authorized by the parent.

The return of an association, publicly traded partnership or business conducted by a trustee or trustees must be signed by a person authorized to act for the association, publicly traded partnership or business.

If an outside individual or firm prepared the return, the signature of the person and the name, address and identification number of the firm must be included. Failure to sign the return will delay the processing of any refunds and may result in penalties.

### Privacy Notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions and forms, is found in Articles 8, 9, 9-A, 13, 19, 27, 32, 33 and 33-A of the Tax Law and 42 USC 405(c)(2)(C)(i).

The Tax Department will use this information primarily to determine and administer corporate tax liabilities under the Tax Law, for certain tax refund offsets, and for any other purpose authorized by law.

Failure to provide the required information may result in civil or criminal penalties, or both, under the Tax Law.

This information will be maintained by the Director of the Data Management Services Bureau, NYS Tax Department, Building 8 Room 905, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829; from areas outside the U.S. and Canada, call (518) 485-6800.

## Your Rights Under the Tax Law

The Taxpayer Bill of Rights requires, in part, that the Tax Department advise you, in writing of your rights and obligations during an audit, when you appeal a departmental decision and when your appeal rights have been exhausted and you need to understand enforcement capabilities available to the department to obtain payment. For a complete copy of the information contained in all of these statements, you may request Publication 131, *Your Rights and Obligations Under the Tax Law*, by calling toll free 1 800 462-8100. From areas outside the U.S. and Canada, call (518) 485-6800.

# Line Instructions for Forms CT-3-A and CT-3-A/B

**Whole Dollar Amounts** — You may elect to show amounts in whole dollars rather than dollars and cents. Round an amount from 50 cents through 99 cents to the next higher dollar, and round any amount less than 50 cents to the next lower dollar.

**Percentages** — When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Percentages should be carried out to four decimal places. For example:  $5,000/7,500 = .6666666 = 66.6667\%$ .

**Negative amounts if any should be shown in parentheses.**

**Reporting Period** — The tax year for all members of the combined group in New York State must be the same as the federal tax year. Use this tax return for tax years beginning in 1996, both calendar and fiscal, and for short periods beginning in 1997 and ending before December 31, 1997. If you are a calendar year filer, check the box in the upper right corner on the front of the form. If you are a fiscal year filer, complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

## Principal Business Activity

Enter the one activity that accounts for the largest percentage of combined total income. State the broad field of business activity as well as the specific product or service (e.g., mining copper; wholesale meat; retail men's apparel; real estate rental). Be sure to enter the business activity code number from your federal return.

**General Explanation** — Corporations in the combined group must compute combined entire net income, combined business and investment capital, and combined minimum taxable income according to 20 NYCRR, sections 3-2.10, 3-3.8, and 3-4.5, respectively.

The CT-3-A is the form on which the combined tax is computed. The form provides a column A for the parent and a subsidiary column B for the other members of the group. If there is only one member of the group other than the parent, the figures of the member are entered in column B of the CT-3-A. If there are two or more members of the group other than the parent, the figures for the subsidiary column on the CT-3-A are drawn from the new Form CT-3-A/B, *Subsidiary Detail Spreadsheet*.

Columns A and B on the CT-3-A are then added together, and the subtotal is indicated in column C. Enter in column D any intercorporate eliminations. Attach an explanation of any entry made in this column.

Subtract column D from the subtotal in column C and enter the balance in column E.

Form CT-3-A/B provides a column for each member in the group other than the parent corporation. The columns are added together and the totals are then carried to the subsidiary column B on Form CT-3-A.

The line instructions below are used for the CT-3-A and for the CT-3-A/B where applicable.

The shaded areas of Form CT-3-A and CT-3-A/B are not required to be completed.

**Line 1** — Enter federal taxable income (before net operating loss and special deductions) as required to be reported to the U.S. Treasury Department.

— If you file federal Form 1120, use the amount from line 28.

— If you file federal Form 1120-A, use the amount from line 24.

— If you are a member of a federal affiliated group that files a consolidated return, and the state combined group is the same as the federal group or if all members of the state group are included in a larger federal group filing the consolidated return, attach a copy of the federal consolidated return and the consolidating workpapers indicating the separate taxable income of each corporation before elimination of intercorporate transactions. If some members of the state combined group are not included in the federal consolidated return, but instead file separately, send a copy of the federal consolidated return plus a complete copy of the separate federal return, as filed with the IRS, for each corporation not included in the federal consolidated group.

— If you are an S corporation filing federal Form 1120S but you have not made an election to be treated as a New York State S corporation, you must determine the amount you would have had to report as federal taxable income (before net operating loss and special deductions) were you not a federal S corporation. Attach a separate sheet showing how you determined this amount. In general, the items affected are:

Dividends — Form 1120, line 4

Interest — Form 1120, line 5

Gross rents — Form 1120, line 6

Gross royalties — Form 1120, line 7

Capital gain net income — Form 1120, line 8

Charitable contributions — Form 1120, line 19

— If you are exempt from federal income tax but subject to New York State franchise tax, you must determine the amount you would have had to report as federal taxable income (before net operating loss and special deductions) were you not exempt. Attach a separate sheet showing how the amount was determined.

When computing combined NYS entire net income on the combined return, all intercorporate dividends (except dividends from a DISC or former DISC not exempt from tax under Article 9-A) must be eliminated on line 1, column D. Capital losses should be offset against capital gains, contributions should be deducted and intercorporate profits should be treated as if each corporation in the group had filed its federal income tax return on a separate basis. However, corporations may offset capital losses against capital gains, deduct contributions and defer intercorporate profits as if the corporations in the group had filed a consolidated federal income tax return, provided the group of corporations included in the combined return consistently compute combined entire net income by this method. Changes in the method of computing combined entire net income may be made only with the approval of the commissioner. (Reg. Sec. 3-2.10)

## Lines 2 through 8 — Additions

Use lines 2 through 8 to add items that are not included in federal income but must be included in New York State entire net income.

**Line 2** — Enter all interest received or accrued from federal, state, municipal and other

obligations that was exempt from federal income tax and is, therefore, not included on line 1. You may deduct from this amount any expenses attributable to that interest but denied deductibility under IRC section 265. Attach a list of items included on this line.

**Line 3** — Enter the amount deducted in computing federal taxable income for interest on indebtedness paid to a corporate stockholder owning more than 50% of your issued and outstanding voting stock. If you do not make this entry, the indebtedness will not constitute subsidiary capital in the hands of such corporate stockholder, and the stockholder will not be allowed to exclude the interest from its entire net income as income from subsidiary capital.

## Lines 4a, 4b, 5a and 5b Expenses Attributable to Subsidiary Capital

Complete lines 4a, 4b, 5a, and 5b to report any expenses directly or indirectly attributable to combined subsidiary capital. The term *combined subsidiary capital*, as used in these instructions for lines 4a, 4b, 5a and 5b, means stocks or indebtedness of a corporation not included on this return that constitute subsidiary capital includable on line 246, column E (otherwise, enter "0" on lines 4a, 4b, 5a and 5b). Taxpayers should refer to TSB-M-88(5)C for complete details regarding the attribution of **interest** expenses and TSB-M-95(2)C regarding the attribution of **noninterest** expenses.

A *subsidiary* is a corporation (except a DISC) of which over 50% of the number of shares entitling the holders to vote for the election of directors or trustees is owned by the taxpayer. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books for the issuing corporation. Actual beneficial ownership of stock does not mean indirect ownership or control of a corporation through a corporate structure consisting of several tiers and/or chains. See NYCRR 3-6.2 for additional information.

*Subsidiary capital* is the value of certain assets reduced by attributable liabilities. These assets include all investments in the stock of subsidiary corporations plus all debts from subsidiary corporations (other than accounts receivable acquired for services rendered or property sold to customers in the ordinary course of business) whether or not evidenced by bonds or other written instruments, on which interest is not claimed and deducted by the subsidiary under Article 9-A, 32 or 33 of the New York State Tax Law.

**Line 4a** — Enter the amount of **interest** deductions allowed in the computation of entire net income (i.e., includable in the amount of *Line 5a Worksheet*, line E) that are **directly** attributable to combined subsidiary capital (or to income, losses or gains from combined subsidiary capital).

**Line 4b** — Enter the amount of **noninterest** deductions allowed in the computation of entire net income (i.e., includable in the amount of *Line 5b Worksheet*, line E) that are **directly** attributable to combined subsidiary capital (or to income, losses or gains from combined subsidiary capital).

The direct attribution of deductions is based on an analysis of facts and circumstances. Deductions directly attributable to combined subsidiary capital or income include but are not limited to the following:

— interest on debt incurred to buy combined subsidiary capital;

- salaries of employees engaged in the management, supervision or conservation of combined subsidiary capital;
- expenses for legal advice relating to the acquisition of subsidiary capital; and
- stewardship deductions relating to combined subsidiary capital.

Do not include on lines 4a and 4b interest deductions or noninterest deductions that are directly attributable to:

- combined investment capital (or to income, losses or gains from investment capital); see Form CT-3-A, line 235 or line 236; or
- combined business capital (or to income, losses or gains from business capital). **Note:** For tax years beginning in 1995 or after, certain expenses may, at the taxpayer's election, be **deemed** to be directly attributable to business capital (or income, losses or gains from business capital). These expenses include, among others: depletion, advertising, research and development expenses, compensation packages of chief executive officer, chief financial officer and chief operating officer, charitable contributions and internal auditing expenses. For a complete listing of deductions so **deemed** attributable to business capital, see section III (A)(1) of TSB-M-95(2)C.

If at least 95% of the noninterest deductions of an operating division, corporation or a combined group are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division, corporation or combined group may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

**Line 5a** — Enter the amount of **interest** deductions that are **indirectly** attributable to combined subsidiary capital (or to income, gains or losses from combined subsidiary capital) (from *Line 5a Worksheet*, line N).

**Line 5a Worksheet**

- A. Enter federal interest deductions shown on federal Form 1120, line 18 \_\_\_\_\_
- B. Enter amounts of interest deductions included on line A that are required to be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3-A, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3, line 15.
- Enter the Form CT-3-A line numbers and amounts below.
- Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_
- C. Balance (subtract line B from line A) \_\_\_\_\_
- D. Enter amounts of interest deductions that are required to be subtracted from federal taxable income in computing entire net income (for example, the interest deductions taken in computing the amount on Form CT-3-A, line 2 or amounts related to foreign source income not included on federal Form 1120).
- Enter the Form CT-3-A line numbers and amounts below.
- Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_

- E. Total New York interest deductions included in entire net income (*add lines C and D*) \_\_\_\_\_
- F. Enter any interest deduction directly attributable to combined subsidiary capital included on Form CT-3-A, line 4a \_\_\_\_\_
- G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-A, line 235 \_\_\_\_\_
- H. Enter any interest deduction directly attributable to combined business capital \_\_\_\_\_
- I. Subtotal (*add lines F, G and H*) \_\_\_\_\_
- J. Interest deductions subject to indirect attribution (*subtract line I from line E*) \_\_\_\_\_
- K. Enter the amount from Form CT-3-A, line 246 (reduced by any portion of such amount that is required to be eliminated in column D) \_\_\_\_\_
- L. Enter the amount from Form CT-3-A, line 30 (reduced by any portion of such amount that is required to be eliminated in column D) \_\_\_\_\_
- M. Percentage (*divide line K by line L*) \_\_\_\_\_
- N. Amount of interest deductions indirectly attributable to combined subsidiary capital (*multiply line J by line M; enter this amount on line 5a*) \_\_\_\_\_

**Line 5b** — Enter the amount of **noninterest** deductions that are **indirectly** attributable to combined subsidiary capital (or to income, gains or losses from combined subsidiary capital) (from *Line 5b Worksheet*, line R).

**Line 5b Worksheet**

- A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) \_\_\_\_\_
- B. Enter amounts of noninterest deductions included on line A that are required to be added back to federal taxable income in computing entire net income (other than the amounts on Forms CT-3-A, lines 4b and 5b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts are subtracted in computing entire net income or combined entire net income for prior taxable years that began on or after January 1, 1987.
- Enter the Form CT-3-A line numbers and amounts below.
- Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_
- C. Balance (subtract line B from line A) \_\_\_\_\_
- D. Enter amounts of noninterest deductions listed below that are required to be subtracted from federal taxable income in computing combined entire net income.

- The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to section 280C of the IRC (Tax Law, Section 208.9(a)(7))
- Depreciation deductions permitted under Article 9-A with respect to **decoupled** property pursuant to Tax Law, section 208.9(a)(11) and (12)
- Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law, section 208.9(a)(10)
- The noninterest deductions taken in computing the amount on Form CT-3-A, line 2

Enter the Form CT-3-A line numbers and amounts below.

Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_

- E. Total New York noninterest deduction included in entire net income (*add lines C and D*) \_\_\_\_\_
- F. Enter noninterest deductions directly attributable to combined subsidiary capital from Form CT-3-A, line 4b \_\_\_\_\_
- G. Enter noninterest deductions directly attributable to combined investment capital, from Form CT-3-A, line 236 \_\_\_\_\_
- H. Enter noninterest deductions directly attributable to combined business capital \_\_\_\_\_
- I. Subtotal (*add lines F, G and H*) \_\_\_\_\_
- J. Noninterest deductions subject to indirect attribution (*subtract line I from line E; see instructions for line R*) \_\_\_\_\_
- K. Enter gross income attributable to combined subsidiary capital. Gross income from combined subsidiary capital is that portion of total gross income consisting of dividends, interest, and gains (but not losses) from combined subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-A, line 245, and add back any losses used to compute the amount of capital gains from combined subsidiary capital on line 244. These amounts should be reduced by any portion of such amounts required to be eliminated as intercorporate transactions.
- L. Enter total gross income. For these purposes *total gross income* means gross income as defined in Internal Revenue Code section 61, increased by (a) those items described in such section 61 that are included in the computation of entire net income by reason of Tax Law, section 208.9(c) (relating to foreign source income), and (b)

interest on state and local bonds excluded from gross income under Internal Revenue Code section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. Combined gross income should be adjusted for any intercorporate transactions.

- M. Income percentage (divide line K by line L) \_\_\_\_\_ %
- N. Enter amount from Form CT-3-A, line 246, column C \_\_\_\_\_
- O. Enter amount from Form CT-3-A, line 30 \_\_\_\_\_
- P. Asset percentage (divide line N by line O) \_\_\_\_\_ %
- Q. Combined subsidiary capital percentage (If Line L is zero, the subsidiary capital percentage is equal to the asset percentage. If line O is zero, the subsidiary capital percentage is equal to the income percentage.)
- a. Enter percentage from line M \_\_\_\_\_ % ; multiply by 2 \_\_\_\_\_ %
- b. Enter percentage from line P \_\_\_\_\_ %
- c. Total (add lines a and b) \_\_\_\_\_ %
- d. Subsidiary capital percentage (divide line c by 3) \_\_\_\_\_ %
- R. Amount of noninterest deductions indirectly attributable to combined subsidiary capital (multiply line J by the percentage from line Q or, if an election has been made to use the asset percentage, by the percentage from line P. Enter this amount on line 5b.) \_\_\_\_\_

**Line 6** — Enter the amount deducted on your federal return for New York taxes imposed under Article 9, sections 183, 183-a, 184, 184-a, and Articles 9-A and 32. This includes the state tax surcharge and the MTA surcharge. However, do not include New York City taxes. Include the amount deducted for taxes paid or accrued to other U.S. states, their political subdivisions, any foreign country, and the District of Columbia if they are on or are measured by profits or income or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

**Line 7** — Before making any entry on this line, complete Form CT-399 for each corporation. Include from Form CT-399, line 4, the amount of your federal deduction that must be added back to federal taxable income, or if you disposed of property this year use the amount from line 12, column A. (Enter your recomputed deduction on this form's line 14.)

**Line 8** — If you have any of the following other additions to federal taxable income, enter the total amount of those additions and attach a list.

**Note:** The foreign trade income of a FSC, which is excluded from gross income for federal income tax purposes, is not required to be added back in determining New York State entire net income (regulation section 3-2.2(d)).

**A-1** Optional depreciation: If you have claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, you must include on this line any depreciation and any federal losses on the disposition of that property that you deducted from gross income when determining federal taxable income. The adjustment for New York gain or loss on qualified New York State property is made on line 23. See additional instructions for line 15, S-1. Attach Form CT-324.

**A-2** If you are claiming a special additional mortgage recording tax credit (section 210.17), you must include on this line the amount claimed as a credit and used as a deduction in the computation of federal taxable income.

The gain on the sale of real property on which the special additional mortgage recording tax credit was claimed must be increased when all or any part of the credit was also used in the basis for computing the federal gain.

**A-3** If you are a corporation participating in business on the New York Insurance Exchange, you must include the following:

- Your distributive or pro rata share of any item of loss or deduction for federal income tax, or which you are required to take into account separately for federal income tax.
- Your distributive or pro rata share of the net loss, if any.
- Your distributive or pro rata share of the allocated entire net income of such business as determined on Forms CT-33 or CT-33-X under Article 33 of the Tax Law.

See additional instructions for line 15, S-5.

**A-4** If your corporation has a safe harbor lease you must include:

- Any amount you claimed as a deduction in computing federal taxable income solely as a result of an election made under section 168(f)(8) of the IRC as it was in effect on December 31, 1983.
- Any amount you would have been required to include in the computation of your federal taxable income if you had not made the election permitted under section 168(f)(8) of the IRC as it was in effect on December 31, 1983.

**A-5** In general, you must include on this line up to 5% of certain interest paid by an acquiring corporation, in the year of an acquisition, and for the next three years. Use Form CT-244 to determine if you are liable for this addition and to compute the amount to be entered on this line.

**A-6** When a member of a selling consolidated group, as defined in IRC section 338(h)(10), has made an election under such section, any loss on the sale or exchange of stock of a target corporation must be included on this line. (20 NYCRR 3-2.2(c))

### Lines 10 through 16 —

**Subtractions** — Use lines 10 through 16 to subtract items that are included in federal taxable income but should not be included in New York entire net income.

**Line 10** — Complete lines 242 through 245 and enter the amount from line 245, reduced by the amount of dividends included on line 1, column D. This amount must include capital gains and any other income and gain from subsidiary capital that was included as part of federal taxable income. You must include as subsidiary dividends subpart F income received from a controlled foreign corporation in which you own more than 50% of the voting stock (see federal Form 1120, Schedule C, line 14). Do not

include foreign dividend gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

If a subsidiary's stock or assets (excluding cash and assets disposed of by the subsidiary in the regular course of business) are sold within eighteen months after the date of a corporate acquisition, subsidiary capital treatment may not be allowed to the parent (Tax Law section 208.4).

**Line 11** — Enter 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC 246(c). Include 50% of subpart F income received from a controlled foreign corporation in which you own 50% or less of the voting stock (see federal Form 1120, Schedule C, line 14). Include 50% of the dividends received from a money market mutual fund included as investment capital (cash) on Form CT-3-A, line 226.

Regulated investment companies and REITs do not qualify for this deduction.

**Line 12** — Enter foreign dividend gross-up pursuant to section 78 of the IRC (see federal Form 1120, Schedule C, line 15). Entire net income **does not** include any amount treated as dividends pursuant to section 78 of the IRC (section 208.9(a)(6)).

**Line 13** — Enter any net operating loss carried forward from prior years. The combined net operating loss deduction is subject to the same limitations that would apply for the federal income tax as if the same corporations filed on a consolidated basis, except for the \$10,000 limitation on carrybacks. Attach a rider showing full details of both federal and New York net operating loss computations. For detailed information, see pages 3 and 4 of these instructions and Regulations section 3-8.7.

**Line 14** — In place of the disallowed ACRS and MACRS deduction entered on line 7, you may compute a depreciation deduction by any method permitted under IRC section 167 (as it would have applied to property placed in service on December 31, 1980). For more information see Form CT-399, *Depreciation Adjustment Schedule*. Enter the amount from Form CT-399, line 5, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 12, column B, and attach the form.

**Line 15** — If you have any of the following other subtractions from federal taxable income, enter the total amount of those subtractions and attach a list.

**S-1** Optional depreciation: If you claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, include on this line any federal gain on the disposition of qualified property that was included in federal taxable income. The adjustment for New York State gain or loss on qualified New York property is made on line 23. See additional instructions for line 8, A-1. Attach Form CT-324.

**S-2** Receipts from the operation of school buses: Include all receipts from the transportation of pupils, teachers and others acting in a supervisory capacity to and from school or school activities, less any deductions allowed in computing federal taxable income that are directly or indirectly attributable to those receipts.

**Instructions for Forms CT-3-A and CT-3-A/B are continued in the back of this packet on page 8 of Form CT-3-A-I.**

**S-3** Include any refund or credit of a tax imposed under Article 9-A or Article 32 of the Tax Law, for which no exclusion or deduction was allowed in determining the taxpayer's entire net income for any prior year, or any refund or credit of a tax imposed under section 183, 183-a, 184 or 184-a of the Tax Law. Do not include on this line any refund or credit of tax that was used to offset an addition of tax on line 6. Do not include any refund or credit of New York City taxes.

**S-4** Include the amount of wages disallowed in the computation of your federal taxable income because you claimed a credit under IRC section 280(c). Attach a copy of the appropriate federal form.

**S-5** If you are a corporation participating in business on the New York Insurance Exchange, include the following items:

- Any item of income or gain from the business that you are required to take into account separately for federal income tax.
- Your distributive or pro rata share of the income or gain of the business for federal income tax.

**S-6** If your corporation has a safe harbor lease, include the following items:

- Any amount included in your federal taxable income solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983.
- Any amount you could have excluded from federal taxable income if you had not made the election provided for in IRC section 168(f)(8) as it was in effect on December 31, 1983.

Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from these adjustments.

**S-7** If you are a member of a selling consolidated group, as defined in IRC section 338(h)(10), and have made an election under that section, you may be required to include any gain on the sale or exchange of stock of a target corporation on this line. (20 NYCRR 3-2.2(c))

**Lines 18 through 24 —**

**Combined Entire Net Income**

**Base** — The combined entire net income base is the portion of your entire net income allocated to New York State with certain adjustments. It may consist of both business and investment income.

**Line 18** — Enter the amount of combined investment income from line 241. Do not enter more than the amount on line 17. If you had no investment income, enter "0."

**Line 21** — Multiply line 19 by your combined business allocation percentage from lines 130 or 162. If your property, payroll and sales were entirely within New York State, enter the full amount from line 19.

**Line 23** — You may claim a deduction for optional depreciation on this line. Include any gain or loss on the disposition of property on which optional depreciation was claimed. Attach Form CT-324.

**Line 24** — If line 23 is a gain, add lines 22 and 23. If line 23 is a loss, subtract line 23 from line 22. This is your combined entire net income base.

**Line 25 Combined Entire Net Income Base Tax Computation —**

If the combined group does not qualify as a small business taxpayer, multiply line 24 by 9% (.09).

A combined group qualifies as a small business taxpayer if:

- Its combined entire net income (before allocation) is not more than \$290,000, and
- The total amount of money and other property the members received in the aggregate for stock, as a contribution to capital and as paid-in surplus, is not more than \$1 million as of the last day of the tax year, and
- No member of the group is part of an affiliated group, as defined in IRC section 1504, unless the affiliated group itself would have met the above criteria if it had filed a combined return.

Complete lines 118 and 119 if you use the small business taxpayer tax rate.

Small business taxpayers: If you are a qualified small business taxpayer and your entire net income base is \$200,000 or less, multiply line 24 by 8% (.08) and enter the amount on line 25.

If your entire net income base is more than \$200,000 your effective tax rate will be between 8% and 9%. The closer the entire net income base comes to \$290,000 the closer the effective tax rate comes to 9%. Your tax is:

1. \$16,000 (\$200,000 times 8%) **plus**
2. 9% of any amount over \$200,000 but not over \$290,000 **plus**
3. an additional 5% of any amount over \$250,000 but not over \$290,000

If the combined group's entire net income is between \$200,000 and \$290,000, complete the following worksheet:

Worksheet		
	Multiply	Tax
1. Entire net income from line 24		
2. Subtract	<u>\$200,000</u>	× .08 = <u>\$16,000</u>
3. Multiply the balance on this line by 9%		× .09 = <u>          </u>
4. Subtract	<u>\$50,000</u>	
5. Multiply the balance, if any, on this line by 5%		× .05 = <u>          </u>
6. Add the tax on lines 2, 3 and 5. Enter on lines 25 and 70.		
A small business taxpayer's tax on the entire net income base will never be more than \$26,100.		

**Lines 26 through 39 Computation of Combined Capital Base —**

When computing combined business capital and combined investment capital, all intercorporate stockholdings, intercorporate bills, intercorporate notes receivable and payable, intercorporate accounts receivable and payable and other intercorporate indebtedness must be eliminated.

To determine the value of your assets for the combined capital base computations, you must include real property and marketable securities at fair market value. All other property must be included at the value shown on your books in accordance with generally accepted accounting principles. Use lines 26 through 30 to adjust the value of the assets you reported on your federal return.

On lines 26 through 31, enter the average value. *Average value* is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis

such as monthly, weekly or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

**Line 26** — Enter your total assets from the balance sheet of your federal tax return.

**Line 27** — Enter the federal balance sheet value of any real property and marketable securities included on line 26.

**Line 29** — Enter the fair market value of real property and marketable securities included on line 27. The *fair market value* of an asset is the price (without deduction of an encumbrance whether or not the taxpayer is personally liable) at which a willing seller will sell and a willing purchaser will buy. You can generally find the fair market value of marketable securities from price quotes in financial newspapers. See TSB-M-85(18.1)C for determination of fair market value of real property.

**Line 31** — Enter the amount of all liabilities, direct or indirect, attributable to assets on line 26, both long and short term.

Use the same method of averaging used to determine average value of assets.

**Line 33** — Enter subsidiary capital from line 248, column E. If you have no subsidiary capital, enter "0."

**Line 35** — Enter combined investment capital from line 227. If you have no investment capital, enter "0."

**Line 38** — If your property, payroll and sales were entirely within New York State, enter the full amount from line 36.

**Line 40** — Combined capital base tax computation: Multiply line 39 by the tax rate of .00178. Also enter the amount on line 71, but do not enter more than \$350,000. An exemption from this computation is available to a *small business concern* in its first two years as a taxpayer. See Tax Law section 210.1-c.

Cooperative housing corporations multiply line 39 by .0004.

**Line 41** — The combined issuer's allocation percentage represents the amount of capital employed by the combined group within New York State compared to the total combined capital employed everywhere. If each member of the combined group does not supply the information needed to compute the combined issuer's allocation percentage, the parent may have to pay a \$500 penalty.

To determine the percentage, add line 39 (capital base) and line 249, column E (subsidiary capital base), then divide by the amount on line 32 (total capital). If you have no subsidiary capital, divide the line 39 amount by the line 32 amount.

The issuer's allocation percentage used to compute subsidiary capital allocated to New York and investment capital allocated to New York is the percentage determined on the New York State tax return filed by the issuing corporation for the preceding year. You may obtain some of these percentages from tax service publications.

Up to three issuer's allocation percentages may be obtained by calling toll free 1 800 225-5829. From areas outside the U.S. and Canada, call



(518) 485-6800. More than three may be obtained only by written request. Make the written request (in duplicate) to:

**NYS TAX DEPARTMENT  
TAXPAYER ASSISTANCE BUREAU  
W A HARRIMAN CAMPUS  
ALBANY NY 12227**

**Lines 42 through 69  
Computation of Tax on  
Minimum Taxable Income Base**

When computing combined minimum taxable income, all intercorporate dividends (except dividends from a DISC or a former DISC not exempt from tax under Article 9-A) must be eliminated. Capital losses should be offset against capital gains, contributions should be deducted and intercorporate profits should be treated as if each corporation in the combined group had filed its federal income tax return on a separate basis. However, corporations may offset capital losses against capital gains, deduct contributions and defer intercorporate profits as if the group had filed a consolidated federal income tax return, provided the corporations in the group consistently computes combined minimum taxable income by this method. Changes in the method of computing combined minimum taxable income may be made only with the approval of the commissioner.

The calculation of minimum taxable income requires the addition to entire net income of three federal tax preference items, the addition or subtraction of certain federal adjustments used to compute federal alternative minimum taxable income, the addition of the New York State net operating loss deduction and the subtraction of the alternative net operating loss deduction. Minimum taxable income is allocated by the use of an alternative business allocation percentage and the regular investment allocation percentage. See Article 9-A, sections 208.8-B, 210.1(c), 210.3-a, TSB-M-90(13)C and TSB-M-94(5)C.

The tax law also provides for a minimum tax credit, available for use against tax computed on the entire net income base. The credit is designed to prevent double-counting of income which might otherwise arise because of timing items of tax preference and adjustments. See Article 9-A, section 210.13 and Form CT-3-A/ATT and instructions.

You must determine a minimum taxable income base and tax, whether or not you file federal Form 4626.

**Lines 43 through 50**

**Adjustments** — Enter "0" on any line that does not apply to you. Enter negative amounts in parentheses.

**Line 43**

Enter the amount determined by recomputing the adjustment from line 2a of federal Form 4626 to include only property that is included in the line 2a computation and that is:

- a. property subject to IRC section 280F,
- b. property placed in service in New York State in tax years beginning after 1984,
- c. property placed in service outside of this state in tax years beginning after 1993, or
- d. property of a taxpayer principally engaged in the conduct of aviation (other than air freight forwarders acting as principal and like indirect air carriers) that was placed in service before tax years beginning in 1989.

If your alternative minimum tax depreciation adjustment on federal Form 4626, line 2a, includes only property placed in service in New York State, enter that amount.

If you were not required to file Form 4626, compute the figure called for on line 2a including only property described in a, b, c and d above. Use Form CT-399, lines 13, 14 and 15 to compute the depreciation adjustment for that property.

Attach a copy of Form CT-399 and federal Form 4626 to your return.

**Line 44** — Enter the federal item of adjustment for mining exploration and development costs as determined in section 56(a)(2) of the IRC (from federal Form 4626, line 2c).

**Line 45** — Enter the federal item of adjustment for circulation expenditures of personal holding companies as determined under section 56(b)(2) of the IRC (from federal Form 4626, line 2d).

**Line 46** — Enter the federal item of adjustment for adjusted gain or loss determined under section 56(a)(7) of the IRC (from federal Form 4626, line 2e), modified as follows.

Do not include any basis adjustment made in determining the gain or loss from the sale or exchange of pollution control facilities.

**Line 47** — Enter the federal item of adjustment for the treatment of certain long-term contracts as determined under section 56(a)(3) of the IRC (from federal Form 4626, line 2f).

**Line 48** — Enter the federal item of adjustment for installment sales of certain property as determined under section 56(a)(6) of the IRC (from federal Form 4626, line 2g).

**Line 49** — Enter the federal item of adjustment for merchant marine capital construction funds as determined under section 56(c)(2) of the IRC (from federal Form 4626, line 2h).

**Line 50** — Enter the federal item of adjustment for disallowance of passive activity loss as determined under section 58(b) of the IRC (from federal Form 4626, line 2k).

**Lines 52, 53 and 54  
Tax Preference Items**

**Line 52** — Enter the federal item of preference for depletion as determined under section 57(a)(1) of the IRC (from federal Form 4626, line 2m).

**Line 53** — Enter the federal item of preference for appreciated property charitable deduction from line 2o of federal Form 4626.

**Line 54** — Enter the federal item of preference for intangible drilling costs as determined under section 57(a)(2) of the IRC (from federal Form 4626, line 2p).

**Line 56** — Enter the combined net operating loss deduction used in the computation of the entire net income base. This is the amount on line 13. Include only the maximum amount permitted on this line. See pages 3 and 4 of these instructions.

**Line 58** — Enter your combined alternative net operating loss deduction. Attach a separate sheet with full details of the New York State alternative net operating losses claimed. For detailed information see page 4 of these instructions.

**Line 60a** — To determine the amount of alternative investment income on line 62, you must begin with the amount of investment income included in entire net income (line 18) plus the apportioned net operating loss deduction from line 240.

**Line 60b** — Add those items of adjustment and tax preference derived from investment capital that are not included in entire net income but are included in minimum taxable income (e.g., appreciated property charitable deduction for contributed stock, treated as an item of tax preference).

**Line 61** — Apportion any alternative net operating loss deduction claimed on line 58 between business income and investment income. Divide alternative investment income before deduction of any net operating loss (line 60c) by minimum taxable income before deduction of any net operating loss (line 57). Multiply the result by the alternative net operating loss deduction from line 58 and enter the amount on this line.

**Line 62** — Alternative investment income is the sum of investment income and that portion of minimum taxable income that consists of income from investment capital and which was not included in entire net income.

**Lines 70 through 100  
Computation of Tax**

**Line 71** — Enter the tax computed on your combined capital base from line 40. Do not enter more than \$350,000.

An exemption from this computation is available to a "small business concern" in its first two years as a taxpayer. See Tax Law section 210.1-c.

**Line 72 — Parent's Fixed Dollar  
Minimum Tax** — The fixed dollar

minimum tax consists of four levels and is determined by the parent corporation's gross payroll, total receipts and average value of gross assets.

For a corporation with a gross payroll of:	The fixed dollar minimum tax is:
— \$6,250,000 or more	\$1,500
— less than \$6,250,000 but more than \$1,000,000	\$425
— \$1,000,000 or less	\$325
— Gross payroll, total receipts and average value of gross assets are each \$1,000 or less	\$800

Enter your gross payroll, total receipts and gross assets in the appropriate boxes.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount in each of the three boxes provided on line 72. If you do not have gross assets, gross payroll or total receipts, enter "0" in the appropriate boxes.

**Gross payroll** — The total wages, salaries, and other personal services compensation of all employees including general executive officers wherever located. For a period of less than 12

months, annualize gross payroll by dividing it by the number of months in the short period and multiplying the result by 12.

Use the total amounts shown on federal Form 1120 or Form 1120-A, lines 12 and 13, including any employment credits deducted on line 13, plus any wages included in the cost of goods sold, Form 1120, Schedule A, line 3.

**Total receipts** — Receipts from the sales of tangible personal property, services performed, rentals, royalties, receipts from the sales of rights for closed circuit and cable television transmissions and all other business receipts received in the regular course of business. These items can be found on federal Form 1120 or 1120-A, Income Section, lines 1c, 6, 7 and 10.

Do not include any nonbusiness dividends, nonbusiness interest, or business or investment gains or losses.

**Average value of gross assets** — The average fair market value of real property and marketable securities plus all other property at the value shown on your books, in accordance with generally accepted accounting principles. Use the amount from Form CT-3-A, line 30, column A.

**Line 73** — Small business taxpayer exception: if line 71 (tax on capital base) is larger than line 70 (tax on entire net income base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 69, 70 or 72.

**Line 76** — Complete line 101 and enter the total amount of the tax credit that you are claiming. When claiming more than one credit you must apply them against your tax in the order listed below.

Tax credits, except the credit for servicing mortgages cannot reduce your tax below the higher of the fixed dollar minimum tax or the tax on the minimum taxable income base.

1. Eligible business facility credit (Form CT-45)
2. Tax Credit for Servicing Mortgages (section 210.21-a). This credit may only be claimed by mortgage bankers. If you claim this credit you must submit a copy of the letter from the New York State Mortgage Agency approving the credit. This credit can reduce the tax to zero. Enter amount in the space provided on Form CT-3-A.
3. Economic development zone wage tax credit (Form DTF-601)
4. ZEA wage tax credit (Form DTF-601.1)
5. Investment tax credit (Form CT-46)
6. Additional investment tax credit (Form CT-46)
7. Employment incentive tax credit (Form CT-46)
8. Economic development zone capital tax credit (Form DTF-602)
9. Economic development zone investment tax credit (Form DTF-603)
10. Economic development zone employment incentive tax credit (Form DTF-603)
11. Minimum tax credit (Form CT-3-A)
12. Special additional mortgage recording tax credit (Form CT-43 or Form CT-43.1)

Mergers, Acquisitions and Consolidations - In general, the tax credits of a target corporation cannot be used by the acquiring corporation. See Form CT-244.

Indicate which credits you are claiming on line 101. Attach copies of all forms and schedules used.

**Line 77** — If your tax credits are more than the tax shown on line 75, enter "0."

**Line 79** — The combined franchise tax is the larger of line 77 or 78. However, if the total on line 77 is less than the total on line 78 because of the application of the credit for servicing mortgages (available only to mortgage bankers), enter the amount from line 77.

**Lines 81a and 81b** — On line 81a, include the total fixed dollar minimum taxes of subsidiaries that computed a \$1,500 fixed dollar minimum tax on Form CT-3-A/C. On line 81b include the total fixed dollar minimum taxes of subsidiaries that computed a \$325, \$425 or \$800 fixed dollar minimum tax on Form CT-3-A/C. A subsidiary that computes a short period fixed dollar minimum tax would use the appropriate line depending upon whether its fixed dollar minimum tax was greater or less than \$1,000. The total of lines 81a and 81b should equal the total amounts listed on the individual CT-3-A/C (if the totals are not equal, attach a rider showing the computation).

However, if the credit for servicing mortgages reduced the combined tax on line 79 to zero, then the mortgage banking subsidiary that earned the credit may reduce its own fixed dollar minimum tax computed on Form CT-3-A/C by the amount of the remaining credit.

**Line 83 Computation of State Tax Surcharge** — Enter the appropriate state tax surcharge rate from the chart below in the box on this line and compute your state tax surcharge using the worksheet on the next page.

The state tax surcharge rates are:

	For Tax Years Ending	Maximum number of months surcharge imposed
7½%	6/30/95 7/1/96	12
2½%	6/30/96 7/1/97	12

**Worksheet for State Tax Surcharge**

A. State tax surcharge rate which applies to this return (see chart above) ..... %

B. Maximum number of months for which the state tax surcharge percentage on line A is imposed (see chart above) . . .

C. Number of months for which the state tax surcharge percentage on line A has been paid . . . . .

D. Number of months still subject to the state tax surcharge percentage on line A (subtract line C from line B) . . . . .

- If line D is zero, **stop** here and enter "0" on line 83 of the return.

E. Number of months covered by this return . . . . .

- If line E is less than or equal to line D, **stop** here and multiply the franchise tax on line 82 by the state tax surcharge percentage on line A. Enter this amount on line 83 of the return.

- If line E is more than line D, complete lines F through I.

F. Proration percentage (divide line D by E) . . . . .

G. Franchise tax from line 82 of the return . . . . .

H. Franchise tax subject to the state tax surcharge (multiply line G by line F) . . . . .

I. State tax surcharge after proration (multiply line H by the state tax surcharge rate on line A. Enter this amount on line 83 of the return) . . . . .

**Line 85a** — If you have filed a request for extension on Form CT-5.3, enter the amount from this form.

**Line 85b** — If the combined group did not file Form CT-5.3 and the amount of combined tax and state tax surcharge from line 79, 81a and 83 is more than \$1,000, you must pay a mandatory installment for the period following that covered by the return. The installment must be equal to 25% of the total of lines 79, 81a and 83.

**Line 89** — If you underpaid your estimated tax, use Form CT-222, *Underpayment of Estimated Tax by a Corporation*, to compute the penalty. Attach Form CT-222. Check the box and enter the penalty on this line.

**Lines 90 and 91** — If you are not filing this return and paying the tax due on time, you must pay interest and additional charges. (See instructions on page 3.)

**Line 93** — If you want to contribute to Return a Gift to Wildlife or the Breast Cancer Research and Education Fund, enter the amount in the appropriate box. Enter the total of both gifts on line 93. The amount you give must be in whole dollars. Your gift will increase your payment or reduce your overpayment. You cannot change the amount of your gift after you file your return.

**Lines 96 through 99** — You may apply an overpayment as a credit to your next state franchise tax period or to your MTA surcharge for this period or you may have it refunded. Indicate on these lines the amounts you wish transferred as credits or refunded.

**Line 100** — If you claim a refund of unused investment tax credit from Form CT-46, special additional mortgage recording tax credit from Form CT-43.1, EDZ wage tax credit from Form DTF-601 or DTF-601.1 or EDZ investment tax credit from Form DTF-603, check the refund box on page 1. Enter the total amount and attach the appropriate tax credit forms. Do not include this amount in the total tax credits claimed on lines 76 and 101.

**Line 101** — Enter in the appropriate space the amount of any tax credits that you are claiming.

**Lines 102 through 108**

**Prepayments** — Include on line 107 only actual prepayments made by subsidiaries which were included on Form(s) CT-3-A/C.

**Line 109 Interest Deducted** — Enter the total amount of interest deducted on your federal return that you used in computing your federal taxable income on line 1.

**Line 110** — Indicate which type of federal return was filed and list any year during the past five for which any corporation in the combined group was audited by the IRS.

**Lines 114 and 115 Real**

**Property Gains Tax** — Effective June 15, 1996, Article 31-B of the Tax Law has been repealed. However, any corporation with an interest in real property located in New York State must keep a record of the transfer of its stock and report every transfer of a controlling interest in its stock which occurred prior to June 15, 1996. The corporation must also be prepared to provide any other information required to enforce Article 31-B.

Controlling interest is either 50% or more of the total combined voting power of all classes of stock or 50% or more of the capital, profits or beneficial interest in that voting stock.

If you answer Yes on both lines 114 and 115, attach a separate sheet providing the following information:

- Name, address and identification number of the new controlling stockholder (use social security number for individuals and federal employer identification number for corporations).
- Date transfer was made.
- Location of real property.
- Whether the corporation is a cooperative housing corporation.

**Lines 116 and 117 Interest Paid to Shareholders** —

Corporations that made interest payments, deducted in computing entire net income, to a shareholder or shareholders owning, directly or indirectly, individually or in the aggregate, more than 50% of its issued capital stock must provide the information requested in this section (section 211.2-a). A penalty of \$500 is imposed for failure to provide this information (section 1085(n)).

**Line 119 — Small Business**

**Taxpayer** — If you used the small business tax rate on line 25 you must complete this line to show that your combined group qualifies for the lower tax rate. Use the worksheet below to determine the amount to enter on line 119.

	No. of Shares	Amount
Par value stock		
No par stock		
Contributions to capital & paid-in surplus		
Total capital contributions - Enter on line 119		

See instructions for line 25.

If you qualify, provide the information requested in this section. Use your balance sheet amounts for stock and other paid-in capital.

**Computation of Combined Business Allocation Percentage and Combined Alternative Business Allocation Percentage for Combined Minimum Taxable Income Base** — Allocation on combined returns is made on the basis of combined accounts from which intercorporate items (including intercorporate receipts) are eliminated.

Use the appropriate lines (lines 120 through 194) to compute your allocation percentage for your business income, alternative business income and business capital. Foreign airlines

should consult TSB-M-94(2)C. See page 4 of these instructions for special information on foreign airlines.

The election to allocate all income and capital by either the investment or business allocation percentage was repealed. If you have both types of income or capital, you must complete separate allocations.

If your property, payroll and sales were entirely within New York State, you do not need to complete line 120 through 194. Your allocation is 100%.

If you claim a business allocation percentage of less than 100%, you must complete the appropriate lines between lines 120 and 194.

You allocate by multiplying combined business income or combined business capital by your combined business allocation percentage, and combined investment income and combined investment capital by the combined investment allocation percentage.

Lines 120 through 130 are used by aviation corporations, except certain foreign airlines (see instructions on page 4), to compute the business allocation percentage. Three factors are averaged: aircraft arrivals and departures, revenue tons handled, and originating revenue. The combined percentage is used to allocate both business income and alternative business income, when determining both the entire net income base and the minimum taxable income base, and business capital when computing the capital base.

On lines 131 through 162 the combined business allocation percentage is computed by averaging four factors: property, payroll and business receipts (the business receipts factor is included twice). This percentage is used to allocate combined business income when computing the combined entire net income base and is used to allocate combined business capital when computing the combined capital base.

On lines 163 through 194 the combined alternative business allocation percentage is computed by averaging four factors: property, payroll and business receipts (the business receipts factor is included twice). The factors are determined using the same rules that apply to lines 131 through 162, except that any factor used to determine the combined alternative business allocation percentage must be adjusted to reflect modifications made in the computation of combined minimum taxable income (lines 42 through 59), which may change an amount used in a particular factor. For example, a depreciation modification would change the amounts used in computing the property factor. The combined alternative business allocation percentage is used to determine the combined minimum taxable income base only.

The property factor is the percentage of the average value of your real and tangible personal property, whether owned or rented, that is located within New York State. The business receipts factor is the percentage of your business receipts attributable to New York State. The payroll factor is the percentage of your payroll that is attributable to New York State.

You must value real and tangible personal property owned by the corporation at the adjusted basis used for federal income tax. However, you may make a one-time, revocable election to value real and tangible personal

property at fair market value. You must make this election on or before the due date (or extended due date) for filing the franchise tax return for your first tax year. This election applies to corporations included in a combined return only if all of the corporations included in the return make the election.

**Computation of Combined Business Allocation Percentage for Aviation Corporations** —

**Lines 120 and 121** — Enter the number of landings and takeoffs of an aircraft of an aviation corporation and the number of pickups and deliveries by the aircraft. Arrivals and departures for maintenance, repair, refueling (where no debarkation or embarkation of traffic occurs), training, emergencies, and nonrevenue flights should not be included.

**Lines 123 and 124** — Enter the weight, in tons, of revenue passengers (at 200 pounds per passenger) and revenue cargo first received as originating or connecting traffic or finally discharged at an airport.

**Lines 126 and 127** — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

**Computation of Combined Business Allocation Percentage**

**Lines 131 through 162** — Do not include intercorporate rents or intercorporate business receipts in the receipts factor. Capitalized intercorporate rent expense must be eliminated from the property factor if the lessor and lessee are both part of the combined group.

**Lines 131 and 132** — Enter the average value of real property you owned. Do not include real property and related equipment (except inventoriable goods) that are under construction and are not occupied or used during construction. Include property or equipment under construction that is partially used in the regular course of business only to the extent used.

**Lines 133 and 134** — Enter the average value of rented real property. The value of rented real property is generally eight times the gross rent payable during the year covered by this return. Gross rent includes any amount payable as rent or in lieu of rent (such as taxes, repairs, etc.) and amortization of leasehold improvements that revert to the lessor at the end of the lease.

**Lines 135 and 136** — Enter the average value of inventories.

**Lines 137 and 138** — Enter the average value of tangible personal property you owned such as machinery, tools, and implements. Do not include cash, shares of stock, bonds, notes, credits, evidences of an interest in property or evidences of credit.

**Lines 139 and 140** — Enter the average value of tangible personal property you rented. The value of rented tangible personal property is generally eight times the gross rent payable during the year covered by this return.

**Lines 144 and 145** — Enter receipts from the sale of tangible personal property. These receipts are allocated on a destination basis (see section 210.3(a)(2)(A)).

**Lines 146 and 147** — Enter gross receipts for services performed, based on where they are performed. Receipts from intercorporate sales and services performed should be eliminated from the receipts factor. Special rules apply to certain receipts. Corporations engaged in broadcasting or the publication of newspapers and periodicals must allocate to New York State receipts from the sale of advertising to the extent that the broadcasts or publications are delivered to the ultimate purchasers, subscribers, listeners or viewers in New York State.

Receipts for Services to Regulated Investment Companies — 100% of the receipts received from an investment company for the sale of management, administration or distribution services must be allocated based on the domicile of the shareholders of the investment company (section 210.3(a)(6)(A)(ii)). For more information see TSB-M-88(9)C.

Receipts for services performed by air freight forwarders acting as principal and indirect air carriers are allocated to New York State as follows.

Receipts from:	Allocate Receipts
— Pickup and delivery both made in NYS	100% to NYS
— Pickup only made in NYS	50% to NYS
— Delivery only made in NYS	50% to NYS

The Arts and Cultural Affairs Law has been amended to provide that receipts from the sale of works of art, by an art merchant, are receipts from the sale of tangible personal property (rather than receipts for services performed).

The amendment applies to works of art which are:

- created by an artist or craftsman;
- consigned by such artist or craftsman to an art merchant; and
- sold by the art merchant on or after August 9, 1995.

The amendment does not apply to consigned works of art sold at a public auction.

**Lines 148 and 149** — Enter receipts from all property you rented to others. Rental receipts are attributable to the location of property. Intercorporate rents should be eliminated.

**Lines 150 and 151** — Enter receipts from royalties, allocated where earned.

**Lines 152 and 153** — Enter all other business receipts, allocated where earned.

**Line 157** — An additional receipts factor must be included in the computation of the business allocation percentage. Enter the same percentage computed on line 156 (section 210.3(a)(4)).

**Lines 158 and 159** — Enter the total amount of all wages and other compensation of employees other than general executive officers.

General executive officers include the chairman, president, vice-president, secretary, assistant secretary, treasurer, assistant treasurer, comptroller and any other officer charged with the general executive affairs of the corporation. An executive officer whose duties are restricted to territory either inside or outside New York State is not a general executive officer. Employees within New York include all employees regularly connected with or working out of an office or other place of business you maintained within New York State, no matter where the services of the employees were performed. Intercorporate wages and salaries should be eliminated from the payroll factor.

**Line 162** — If either the property, payroll or receipts factor is missing, add the remaining factors and divide by the total number of factors present. If all factors but one are missing, the remaining factor is the allocation percentage. A factor is missing only if both the numerator and denominator are zero.

**Example**

Computation of allocation percentage for business income and capital:

	CORP. A	CORP. B	CORP. C
Property factor	80%	60%	60%
Receipts factor	20%	30%	30%
Add'l receipts factor	20%	30%	30%
Payroll factor	60%	0%	None*
Total	180%	120%	120%
Divided by	4	4	3
Allocation percentage for business income and capital	45%	30%	40%

\* In the example above, Corporation C has no payroll factor since it has no employees either inside or outside New York State. Corporation B has no employees in New York State but has employees outside New York State.

**Lines 163 through 194**  
**Computation of Combined Alternative Business Allocation Percentage for Minimum Taxable**

**Income Base** — If you did not make any entries on lines 43 through 54, your combined alternative business allocation percentage is your combined business allocation percentage. It is not necessary to complete lines 163 through 194. You may use the same percentage determined on line 162.

If you made entries on lines 43 through 54 that altered an item used to compute the property or receipts factors, you must make appropriate changes when determining the alternative business allocation percentage for allocating alternative business income on lines 64 and 200.

**Line 194** — If either the property, receipts or payroll factor is missing, add the remaining factors and divide by the total number of factors present. If all factors but one are missing, the remaining factor is the allocation percentage. A factor is missing only if both the numerator and denominator are zero.

Computation of the allocation percentage for the minimum taxable income base is similar to the computation of the allocation percentage for business income and capital. See the example for line 162.

**Computation of Combined**

**Adjusted Minimum Tax** — Complete lines 195 through 212 only if your tax due, shown on line 79, is based on the minimum taxable income base. The figure entered on line 212 may be used to compute your minimum tax credit in future years. If your tax due is not based on the minimum taxable income, enter "0" on this line.

**Line 205** — Multiply the line 204 amount by the tax rate of 3½% (.035).

**Computation of Combined Minimum Tax Credit — Lines 213a through 214**

— Enter in column A the year, and in column B the amount of combined adjusted minimum tax, for each year beginning after 1989 with respect to which your tax was based on the combined minimum taxable income base. The combined adjusted minimum tax for prior years may be found on Form CT-3-A as follows:

Year(s)	Line
1990	114
1991, 1992, 1993, and 1994	116
1995	212

If you computed combined adjusted minimum tax from tax years beginning in 1990, 1991, 1992, and 1993, and if you had an add back for a net operating loss; you must complete column C to compute your NOL component. To compute the NOL component, recalculate the adjusted minimum tax (from Form CT-3-A, line 114 or 116, whichever year applies), but without the add-back of the net operating loss deduction. Enter the result in Column C. Subtract the amount in column B from Column C to determine your NOL component. If a net operating loss deduction was not added back for any of the years listed, make no entry in column C and enter "0" on line 214, column D.

**Application of Combined**

**Minimum Tax Credit** — The minimum tax credit can be used to reduce your franchise tax only if the tax is based on your entire net income base. The amount of credit is the adjusted minimum tax computed in this section for all prior years, less any amount used as a minimum tax credit in prior tax years.

**Line 217** — Enter the combined minimum tax credit used in prior periods related to columns A and B respectively.

**Line 218** — Column A — Subtract line 217 from line 215. Column B — Subtract line 217 from line 216.

**Line 219** — Column A — Enter amount from column A, line 218. Column B — Multiply the amount shown in column B, line 216 by 20% (.20).

**Line 220** — If your franchise tax for this tax year is based on your combined entire net income base, from the total credit available (line 219, column C), enter the amount that will, after applying all other tax credits, reduce your tax to the higher of the fixed dollar minimum tax or the tax on the combined minimum taxable income base. Carry this amount to the appropriate box above line 101. Enter a breakdown of the credit used in columns A and B, by applying the amount of the available pre-1994 NOL component (line 219, column B) first and the combined adjusted minimum tax from prior years (line 219, column A) second.

## Computation of Combined Investment Capital and Investment Allocation

**Percentage Lines 222 and 223** — The amounts on Form CT-3-A, lines 222A, B and D and 223A, B and D are obtained as shown below. The amounts on Form CT-3-A/B, line 222A, B and D are obtained in the same manner as indicated in column A below.

Line	Column A (Parent)	Column B (Total Subsidiaries)
222A	from CT-3-A/ATT, line 3, column C	a) if only one subsidiary, from CT-3-A/ATT, line 3, column C, or b) if more than one subsidiary, from CT-3-A/B, line 222A, <i>Total</i> column
222B	from CT-3-A/ATT, line 3, column D	a) if only one subsidiary, from CT-3-A/ATT, line 3, column D, or b) if more than one subsidiary, from CT-3-A/B, line 222B, <i>Total</i> column
222D	from CT-3-A/ATT, line 3, column G	a) if only one subsidiary, from CT-3-A/ATT, line 3, column G, or b) if more than one subsidiary, from CT-3-A/B, line 222D, <i>Total</i> column
223A	from CT-3-A/ATT, line 4, column C	a) if only one subsidiary, from CT-3-A/ATT, line 4, column C, or b) if more than one subsidiary, from CT-3-A/B, line 223A, <i>Total</i> column
223B	from CT-3-A/ATT, line 4, column D	a) if only one subsidiary, from CT-3-A/ATT, line 4, column D, or b) if more than one subsidiary, from CT-3-A/B, line 223B, <i>Total</i> column
223D	from CT-3-A/ATT, line 4, column G	a) if only one subsidiary, from CT-3-A/ATT, line 4, column G, or b) if more than one subsidiary, from CT-3-A/B, line 223D, <i>Total</i> column

**Line 225** — The investment allocation percentage is computed without the addition of cash on line 226.

**Line 226 — Cash Election** — If you elect to treat cash as investment capital then the amounts entered on Form CT-3-A, line 226 are obtained as shown below. The amounts on Form CT-3-A/B, line 226, are obtained in the same manner as indicated in column A below.

Column A (Parent)	Column B (Total Subsidiaries)
from CT-3-A/ATT, line 6, column E	a) if only one subsidiary, from CT-3-A/ATT, line 6, column E, or b) if more than one subsidiary, from CT-3-A/B, line 226, <i>Total</i> column

At the election of the taxpayer, cash on hand and cash on deposit may be treated as either investment capital or business capital. However, no election to treat cash as investment capital may be made when the taxpayer has no other investment capital.

If one member of the combined group has investment capital, then all the members of the combined group may elect to treat cash as investment capital. All corporations in the combined group must make the same election.

Cash includes shares in a money market mutual fund. A money market mutual fund is a no-load, open-end investment company registered under the Federal Investment Company Act of 1940

that attempts to maintain a constant net asset value per share (i.e., a "money market" fund). Cash also includes debt instruments deemed cash, see also *Instruments Deemed Cash* in the instructions for Form CT-3-A/ATT on page 16.

Cash cannot be split between business capital and investment capital. It must be treated as all business capital or all investment capital.

## Computation of Combined Investment Income for Allocation

**Lines 228 through 241** — Complete this section if you are allocating part of the combined entire net income by using the investment allocation percentage from line 225. Investment income is income from investment capital to the extent it is included in entire net income, less any deductions allowable in computing entire net income that are attributable to investment capital or investment income, and less a portion of any net operating loss deduction allowable in computing entire net income.

Income from investment capital includes dividends (other than from a subsidiary or a DISC), interest and capital gains and losses from sales or exchanges of investment capital that are included in the computation of entire net income. Professional service corporations (Article 15 or 15-A BCL) must use an investment allocation percentage of 100% (section 210.3(b)(3)).

**Line 228** — Enter interest income received from investment capital listed on Form CT-3-A/ATT, Schedule A, Section I, to the extent included in entire net income.

**Line 229** — Enter interest income received from bank accounts (cash) if included on line 226. Include interest income received from a savings account, checking account, time deposit account (i.e., certificate of deposit) or similar accounts, which are usually evidenced by a passbook. Enter "0" on this line if the investment allocation percentage on line 225 is zero. In that case, this interest will be allocated by the business allocation percentage as part of business income.

**Line 230** — Enter interest income from debt instruments deemed cash, if included on line 226.

**Line 231** — Enter dividend income received from investment capital listed on Form CT-3-A/ATT, Schedule A, Section II, or dividend income received from money market mutual funds included as cash on line 248. To the extent included in entire net income, include the following:

- 50% of dividends received from money market mutual funds included as cash on line 226;
- 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 246(c). 50% of these dividends were deducted on CT-3-A, line 11;
- 50% of subpart F income constituting dividends received from a controlled foreign corporation in which you own 50% or less of the voting stock (see federal Form 1120, Schedule C, line 14). See TSB-A-87(23.1)C for additional information;
- 100% of dividends received from nonsubsidiary stock that did not meet the holding requirements of IRC section 246(c); and

- 100% of dividends received from the stock of a target corporation (if you were required to file Form CT-244, check the acquisition box and answer Yes on line 15 or 16). See Tax Law, sections 208.4, 208.9(b)(12) and 208.9(b)(14).

**Line 232** — Enter any net capital gains or losses from the sale and exchange of securities constituting investment capital, that were used in computing federal taxable income.

**Line 233** — Other items of investment income include but are not limited to the following:

- premium income from an unexercised covered call option, if the item which covers the call is an asset constituting investment capital;
- interest income from a target corporation or capital gain or loss of a target corporation (if you were required to file Form CT-244, check the acquisition box and answer Yes on lines 15 or 16). See Tax Law, section 208.4 and 208.9(b)(13).

**Lines 235 and 236** — Complete lines 235 and 236 if you have combined investment capital includable on Form CT-3-A, line 227 (otherwise, enter "0" on lines 235 and 236). The term *combined investment capital* as used in these instructions for line 235-238 means stocks, bonds and other securities other than those issued by a corporation included in this return which constitute investment capital.

**Line 235** — Enter the amount of interest deductions allowable in the computation of combined entire net income (i.e. includable in the amount on *Line 237 Worksheet*, line E) that are **directly** attributable to combined investment capital (or to income, losses or gains from combined investment capital).

**Line 236** — Enter the amount of **noninterest** deductions allowed in the computation of entire net income (i.e., includable in the amount on *Line 238 Worksheet*, line E) that are **directly** attributable to combined investment capital (or to income, losses or gains from combined investment capital).

The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable to combined investment capital or income include but are not limited to the following:

- interest on debt incurred to buy combined investment capital
- safe deposit box rentals
- financial news subscriptions
- salaries of employees engaged in the management and conservation of stocks, bonds and other securities included in combined investment capital
- investment counsel fees
- custodian fees
- the cost of insurance and fidelity bonds covering combined investment capital
- expenses for legal advice relating to the acquisition of combined investment capital

Do not include on lines 235 or 236 interest deductions or noninterest deductions that are directly attributable to:

- combined subsidiary capital (or to income, losses or gains from combined subsidiary capital) see Form CT-3-A, lines 4a and 4b; or
- combined business capital (or to income, losses or gains from combined business capital). **Note:** For tax years beginning in

1995 or after certain expenses may, at the taxpayer's election, be **deemed** to be directly attributable to business capital (or income, losses or gains from business capital). These expenses include, among others: depletion, advertising, research and development expenses, compensation packages of chief executive officer, chief financial officer and chief operating officer, charitable contributions and internal auditing expenses. For a complete listing of deductions so **deemed** attributable to business capital, see section III(A)(1) of TSB-M-95(2)C.

If at least 95% of the noninterest deductions of an operating division, a corporation or a combined group are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division, corporation or combined group may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

**Lines 237 and 238** — Complete line 237 and 238 if you have combined investment capital includable on Form CT-3-A, line 227, column C. Otherwise, enter "0" on lines 237 and 238.

**Lines 237** — Enter the amount of **interest** deductions that are **indirectly** attributable to combined investment capital, or to income, gains or losses from combined investment capital, from *Line 237 Worksheet*, line N.

If you completed the *Line 5a Worksheet* on page 6 of these instructions, skip lines A through I below and enter on line J the amount from the *Line 5a Worksheet*, line J.

**Line 237 Worksheet**

A. Enter federal interest deductions included on federal Form 1120, line 18 \_\_\_\_\_

B. Enter amounts of interest deductions included on line A that are required to be added back to federal taxable income in computing combined entire net income (other than the amount on Form CT-3-A, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3, line 15.

Enter the Form CT-3-A line numbers and amounts below.

Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_

C. Balance (subtract line B from line A) \_\_\_\_\_

D. Enter amounts of interest deductions that are required to be subtracted from federal taxable income in computing combined entire net income (for example, the interest deductions taken in computing the amount on Form CT-3-A, line 2 or amounts related to foreign source income not included on federal Form 1120).

Enter the Form CT-3-A line numbers and amounts below:

Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_

E. Total New York interest deductions included in combined entire net income (add lines C and D) \_\_\_\_\_

F. Enter any interest deduction directly attributable to combined subsidiary capital from Form CT-3-A, line 4a \_\_\_\_\_

G. Enter any interest deductions directly attributable to combined investment capital from Form CT-3-A, line 235 \_\_\_\_\_

H. Enter any interest deductions directly attributable to combined business capital \_\_\_\_\_

I. Subtotal (add lines F, G and H) \_\_\_\_\_

J. Interest deductions subject to indirect attribution (subtract line I from line E) \_\_\_\_\_

K. Enter amount from Form CT-3-A/ATT, line 7, column C, reduced by any portion of such amount required to be eliminated at CT-3-A, lines 222A and 223A, column D \_\_\_\_\_

L. Enter amount from Form CT-3-A, line 30, (reduced by any portion of such amount which is required to be eliminated in column D) \_\_\_\_\_

M. Percentage (divide line K by line L) \_\_\_\_\_ %

N. Amount of interest deductions indirectly attributable to investment capital (multiply line J by line M; enter this amount on line 237) \_\_\_\_\_

**Line 238** — Enter the amount of **noninterest** deductions that are **indirectly** attributable to combined investment capital, or to income, gains or losses from investment capital, from *Line 238 Worksheet*, line R.

If you completed *Line 5b Worksheet* on page 6-7 of these instructions, skip lines A through I below and enter on line J the amount from *Line 5b Worksheet*, line J.

**Line 238 Worksheet**

A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) \_\_\_\_\_

B. Enter amounts of noninterest deductions included on line A that are required to be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3-A, lines 4b and 5b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts were subtracted in computing entire net income or combined entire net income for prior taxable years that began on or after January 1, 1987.

Enter the Form CT-3-A line numbers and amounts below.

Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_

C. Balance (subtract line B from line A) \_\_\_\_\_

D. Enter amounts of noninterest deductions that are required to be subtracted from federal taxable income in computing combined entire net income. These are:

— The portion of wages and salaries paid or incurred for the tax year for which a

deduction is not allowed pursuant to section 280C of the IRC (Tax Law, Section 208.9(a)(7))

— Depreciation deductions permitted under Article 9-A with respect to **decoupled** property pursuant to Tax Law, section 208.9(a)(11) and (12)

— Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law, section 208.9(a)(10)

— The noninterest deductions taken in computing the amount on Form CT-3-A, line 2

Enter the Form CT-3-A line numbers and amounts below.

Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_  
 Line # \_\_\_\_\_ Amount \_\_\_\_\_ Total \_\_\_\_\_

E. Total New York noninterest deductions included in combined entire net income (add lines C and D) \_\_\_\_\_

F. Enter noninterest deductions directly attributable to combined subsidiary capital from Form CT-3-A, line 4b \_\_\_\_\_

G. Enter noninterest deductions directly attributable to combined investment capital from Form CT-3-A, line 236 \_\_\_\_\_

H. Enter noninterest deductions directly attributable to combined business capital \_\_\_\_\_

I. Subtotal (add lines F, G and H) \_\_\_\_\_

J. Noninterest deductions subject to indirect attribution (subtract line I from line E; see instructions for line R) \_\_\_\_\_

K. Enter gross income attributable to investment capital. Gross income from combined investment capital is that portion of total gross income consisting of (a) dividends, interest, and gains (but not losses) from investment capital, and (b) items described in 20 NYCRR 4-8.3(a)(2)-(5). To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-A, line 234, and add back any dividends excluded on line 11 and any losses used to compute the amount of capital gains from combined investment capital on line 232. These amounts should be reduced by any portion of such amounts required to be eliminated as intercorporate transactions.

L. Enter total gross income:

— For these purposes total gross income means gross income as defined in Internal Revenue Code section 61, increased by (a) those items described in such section 61 that are included in the computation of entire net income by reason of Tax Law, section 208.9(c) (relating to foreign source income), and (b) interest on State and local bonds excluded from gross

income under Internal Revenue Code section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. Combined gross income should be adjusted for any intercorporate transactions.

M. Income percentage (divide line K by line L) \_\_\_\_\_ %

N. Enter amount from Form CT-3-A/ATT, line 7, column C, reduced by any portion of such amount required to be eliminated at CT-3-A, lines 222A and 223A, column D \_\_\_\_\_

O. Enter amount from Form CT-3-A, line 30, (reduced by any portion of such amount which is required to be eliminated in column D) \_\_\_\_\_

P. Asset percentage (divide line N by line O) \_\_\_\_\_ %

Q. Combined investment capital percentage (If line L is zero, the combined investment capital percentage is equal to the asset percentage. If line O is zero, the combined investment capital percentage is equal to the income percentage.)

a. Enter percentage from line M \_\_\_\_\_ %; multiply by 2 \_\_\_\_\_ %

b. Enter percentage from line P \_\_\_\_\_ %

c. Total (add lines a and b) \_\_\_\_\_ %

d. Combined investment capital percentage (divide line c by 3) \_\_\_\_\_ %

R. Amount of noninterest deductions indirectly attributable to combined investment capital (multiply line J by the percentage from line Q or, if an election has been made to use the asset percentage, by the percentage from line P. Enter this amount on line 238.) \_\_\_\_\_

Line	Column A (Parent)	Column B (Total Subsidiaries)
246	from CT-3-A/ATT, line 8, column C	a) if only one subsidiary, from CT-3-A/ATT, line 8, column C, or b) if more than one subsidiary, from CT-3-A/B, line 246, Total column
247	from CT-3-A/ATT, line 8, column D	a) if only one subsidiary, from CT-3-A/ATT, line 8, column D, or b) if more than one subsidiary, from CT-3-A/B, line 247, Total column
248	from CT-3-A/ATT, line 9, column E	a) if only one subsidiary, from CT-3-A/ATT, line 9, column E, or b) if more than one subsidiary, from CT-3-A/B, line 248, Total column
249	from CT-3-A/ATT, line 10, column G	a) if only one subsidiary, from CT-3-A/ATT, line 10, column G, or b) if more than one subsidiary, from CT-3-A/B, line 249, Total column

(5) stock rights and stock warrants not in the possession of the issuer.

The term *instrument* includes stock and debt that is held in book entry form.

Investment capital does not include:

- (1) stock issued by the taxpayer;
- (2) stocks, bonds or other securities constituting subsidiary capital. Stock of a subsidiary is not subsidiary capital in the case of a target corporation in certain corporate acquisitions.

See Tax Law section 208.4. Debt instruments issued by a subsidiary are also not subsidiary capital if the subsidiary claimed and deducted interest on the instruments for purposes of Article 9-A, 32 or 33 of the Tax Law;

- (3) securities of an individual, partnership, trust or other nongovernmental entity that is not a corporation pursuant to section 208.1 of the Tax Law (such as FNMA and GNMA pass through certificates);
- (4) stocks, bonds and other securities of a DISC, or any indebtedness from a DISC;
- (5) regular and residual interests in a real estate mortgage investment conduit (REMIC) as defined in section 860D of the IRC;
- (6) futures and forward contracts; and
- (7) stocks, bonds and other securities held by the taxpayer for sale to customers in the regular course of business.

If you own a stock, bond or other security that is subject to a repurchase agreement, include this instrument as investment capital. Do not include if it is held as collateral. See regulation section 3-4.2(f) for a full discussion of securities held subject to a repurchase agreement.

Column A categorizes investment capital into two sections:

Section I – Corporate and governmental debt instruments

Section II – Corporate stock, stock rights, stock warrants and stock options

### Section I — Columns A through G

**Column A** — List investments in governmental and qualifying corporate debt instruments (including certificates of deposit), debt instruments issued by the U.S., any state, territory or possession of the U.S., the District of Columbia, or any foreign country or any political subdivision or government instrumentality of any of the foregoing. Do not include instruments deemed to be cash. See *Instruments Deemed Cash* on page 16.

The term *qualifying corporate debt instrument* means all debt instruments issued by a corporation other than the following:

- instruments issued by the taxpayer or a DISC;
- instruments which constitute subsidiary capital in the hands of the taxpayer;
- instruments acquired by the taxpayer for services rendered or for the sale, rental or other transfer of property if the obligor is the recipient of the services or property. However, when a taxpayer sells or otherwise transfers property that is investment capital in the hands of the taxpayer and receives in return a corporate obligation issued by the recipient of the property, the corporate obligation, if it is not otherwise excluded from investment capital, would constitute investment capital in the hands of the taxpayer;

## Instructions for Form CT-3-A/ATT Investment Capital and Subsidiary Capital Schedules

This form must be filed by any member of the combined group, including the parent, which has investment capital or subsidiary capital. When computing combined investment capital or combined subsidiary capital, all investments in the stock of corporations included in the combined return and any indebtedness from corporations included in the combined group must be eliminated on Form CT-3-A, column D.

### Schedule A — Lines 1 through 8 Computation of Investment Capital and Investment

**Allocation Percentage** — The term *investment capital* means the value of the taxpayer's investments in stocks, bonds and other corporate or governmental securities, reduced by directly and indirectly attributable liabilities. Include in investment capital only those stocks, bonds or other securities that are:

- (1) stocks and similar corporate equity instruments, such as business trust certificates, and units in a publicly traded partnership taxable as a corporation pursuant to section 208.1 of the Tax Law;
- (2) debt instruments (such as bonds) issued by the United States, the District of Columbia, and any state, territory or possession of the United States, any foreign country or any political subdivision or governmental instrumentality of the foregoing;
- (3) qualifying corporate debt instruments (see Section I);
- (4) options on any item described in (1), (2) or (3) above and not excluded from investment capital nor deemed to be cash (see *Instruments Deemed Cash* on page 16) or on a stock or bond index or on a futures contract on such an index, unless the options are purchased primarily to diminish the taxpayer's risk of loss from holding one or more positions in assets that constitute business or subsidiary capital; or

**Line 240** — Apportion any net operating loss deduction claimed on Form CT-3-A, line 13, between business income and investment income. Divide investment income before deduction of any net operating loss by entire net income before deduction of any net operating loss. Multiply the result by the net operating loss deduction.

**Income From Subsidiary Capital Lines 242 through 245** — A subsidiary is a corporation of which the taxpayer owns more than 50% of the total number of shares of the corporation's voting stock, issued and outstanding. A DISC is not a subsidiary.

Enter interest, dividends and capital gains attributable to subsidiary capital. In addition, include on line 244 items such as collapsible corporation gain and gain from the sale of subsidiary capital that is not a capital asset for federal tax.

**Computation and Allocation of Combined Subsidiary Capital Base and Tax Lines 246, 247, 248 and 249** — The amounts on Form CT-3-A, lines 246 through 249, are obtained as shown below. The amounts on Form CT-3-A/B, lines 246 through 249, are obtained in the same manner as indicated in Column A below.

- instruments acquired for funds if (i) the obligor is the recipient of the funds, (ii) the taxpayer is principally engaged in the business of lending funds, and (iii) the obligation is acquired in the regular course of the taxpayer's business of lending funds. A taxpayer is principally engaged in the business of lending funds if, during the tax year, more than 50% of its gross receipts, on a separate basis, consist of interest income from loans or net gain from the sale or redemption of notes or other evidences of indebtedness arising from loans made by the taxpayer. Receipts do not include return of principal or nonrecurring, extraordinary items;
- accepted drafts (such as banker's acceptances and trade acceptances) if the taxpayer is the drawer of the draft;
- instruments issued by a corporation that is a member of an affiliated group that includes the taxpayer. The term *affiliated group* means a corporation or corporations and the common parent thereof. The term *common parent* means an individual, corporation, partnership, trust or estate that owns or controls, either directly or indirectly, at least 80% of the voting stock of the corporation or corporations. An affiliated group also includes all other corporations at least 80% of the voting stock of which is owned or controlled, either directly or indirectly, by one or more of the corporations included in the affiliated group or by the common parent and one or more of the corporations included in the affiliated group; and
- accounts receivable, including those held by a factor.

**Instruments Deemed Cash** — A debt instrument described above or included in investment capital must be treated as cash:

- (1) if payable on demand;
- (2) if payable by its terms within 6 months and 1 day from the date the debt was incurred; or
- (3) if payable by its terms more than 6 months and 1 day from the date the debt was incurred, on each day in the tax year on and after the first day in the tax year which is not more than 6 months and 1 day prior to the maturity date (see examples).

Cash, under certain circumstances, may be treated as investment capital. See instructions for line 6.

#### Examples

1. A calendar year taxpayer owns a municipal bond with a maturity date of 1/31/94. As of 7/30/93, the first day not more than six months and one day before the maturity date, and on each day thereafter, the bond is deemed to be cash. The bond should be included in Part I, but in computing the average value of the bond and attributable liabilities, the taxpayer should be treated as no longer owning the bond on any date on or after 7/30/93. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after 7/29/93.
2. A taxpayer purchased a four-month qualifying corporate debt instrument on the day it was issued, and on the maturity date renewed it for an additional four-month term. The two four-month debt instruments are deemed to be cash. The renewal of the first four-month debt instrument is treated as the creation of a second, separate debt instrument, each of the two instruments being due within six months and one day of the date on which the debt was incurred.

3. A calendar-year taxpayer at all times during the tax year owns a five-year qualifying, marketable corporate bond with a maturity date of 1/2/94. The taxpayer also owns corporate stock, but has no cash at any point during the 1993 tax year. The bond is deemed to be cash as of 7/1/93, the date six months and one day prior to maturity. The fair market value of the bond is \$95,000 on 3/31/93, \$90,000 on 6/30/93, \$98,000 on 9/30/93 and \$100,000 on 12/31/93. The bond should be listed in Section I, column A, because it qualifies as investment capital. Its average value, to be stated in column C of Section I, is computed as  $(\$95,000 + \$90,000 + 0 + 0) \div 4 = \$46,250$ . The use of the zeros represents the fact that the taxpayer is deemed to own cash, and not a bond, on 9/30 and 12/31. The average value of the bond insofar as it is deemed to be cash is computed as  $(0 + 0 + \$98,000 + \$100,000) \div 4 = \$49,500$ . The use of the zeros represents the fact that the taxpayer owned no cash on 3/31 or 6/30. The figures \$98,000 and \$100,000 represent the fact that the taxpayer is deemed to own cash in those amounts on 9/30 and 12/31, respectively. The taxpayer had liabilities attributable to the bond. The amount of the liabilities should be treated in conformity with the above treatment of the value of the bond itself. Thus, the liabilities, which were in the amount of \$10,000, \$12,000, \$8,000 and \$6,000 on the four test dates yield an average liability of  $\$5,500$  attributable to the listed bond  $(\$10,000 + \$12,000 + 0 + 0) \div 4 = \$5,500$ , to be entered in column D of Section I, and an average liability of  $\$3,500$   $(0 + 0 + \$8,000 + \$6,000) \div 4 = \$3,500$  to be applied to determine the net average value of the taxpayer's cash. If the taxpayer elects to treat the deemed cash as investment capital, it would include \$49,500 on line 6, column C and \$3,500 on line 6, column D. If the cash election is not made, the \$49,500, reduced by \$3,500, would constitute business capital.
4. A taxpayer purchased a debt instrument, includable in Section I, with a maturity date of 12/15/93. Any such investment will be deemed cash on the same numerical date as the maturity date, less one day, six months prior. Thus the date on which this debt instrument becomes cash is 6/14/93.

**Column C** — Enter the total average fair market value of each item listed in column A. On any date, the fair market value of stocks, bonds and other regularly traded securities is the mean between the highest and lowest selling prices.

The average value is generally computed quarterly if your usual accounting practice permits it, but you may use a monthly, weekly, or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation of average fair market value, you may use a semiannual or annual computation if no distortion of average fair market value results. If the security is not marketable, value it using generally accepted accounting principles (GAAP). (See Example 3 on this page.)

**Column D** — Deduct all liabilities, both long-term and short-term, directly or indirectly attributable to investment capital. Use the same method of averaging used to determine the average value of assets in column C. Enter for each item of investment capital listed in column A the sum of the liabilities directly or indirectly attributable to it. Liabilities directly attributable to an asset are those that were incurred to acquire that asset. (See Example 3 on this page.)

Use the following worksheet to determine the amount of liabilities indirectly attributable to a particular asset.

<b>Worksheet</b>	
Total liabilities	A _____
Liabilities directly attributable to:	
Subsidiary capital	B _____
Investment capital	C _____
Business capital	D _____
Add lines B, C and D	E _____
Subtract line E from line A	F _____
Enter amount from Form CT-3-A/ATT, line 7, column C	G _____
Enter amount from Form CT-3-A or CT-3-A/B, line 30, appropriate column	H _____
Divide line G by line H	I _____%
Multiply line F by line I	J _____
Value of the particular asset	K _____
Enter amount from line G	L _____
Divide line K by line L	M _____%
Enter amount from line J	N _____
Multiply line M by line N	O _____

In column D, on the line for the asset in question, include the sum of the amount from line O of this worksheet and the amount of liabilities directly attributable to that asset.

**Column E** — Determine the net average value of each item listed in column A by subtracting column D from column C. The net average value of any item cannot be less than zero.

**Column F** — Enter the issuer's allocation percentage for each investment listed in column A. For information, see the instructions for Form CT-3-A, line 41. The issuer's allocation percentage on government bonds listed in Part I is 0%.

Up to three issuer's allocation percentages may be obtained by calling toll free 1 800 225-5829. From areas outside the U.S. and Canada, call (518) 485-6800. More than three may be obtained only by written request. Make the written request (in duplicate) to:

NYS TAX DEPARTMENT  
TAXPAYER ASSISTANCE BUREAU  
W A HARRIMAN CAMPUS  
ALBANY NY 12227

Issuer's allocation percentages are now available on some electronic and print tax services.

**Column G** — Determine the value of each investment in column A by multiplying each item in column E by the issuer's allocation percentage listed in column F.

## Section II — Columns A through G

**Column A** — List investments in the following:

- stock issued by a corporation;
- options as described in item (4) of the definition of investment capital listed on page 13;
- units in a publicly traded partnership treated as a corporation for purposes of Article 9-A of the Tax Law;
- business trust certificates;



- stock rights and stock warrants not in the possession of the issuer; and
- other corporate equity instruments similar to stock.

**Columns C through G** — See instructions for Section I, columns C through G.

**Section III Line 6 — Cash**

**Election** — At the election of the taxpayer, cash on hand and cash on deposit may be treated as either investment capital or business capital. However, no election to treat cash as investment capital may be made when the taxpayer has no other investment capital.

If one member of the combined group has investment capital, then all the members of the combined group may elect to treat cash as investment capital. All corporations in the combined group must make the same election.

Cash includes shares in a money market mutual fund. A money market mutual fund is a no-load, open-end investment company registered under the Federal Investment Company Act of 1940 that attempts to maintain a constant net asset value per share. See also *Instruments Deemed Cash* on page 16.

Cash cannot be split between business capital and investment capital. It must be treated as all business capital or all investment capital.

**Schedule B — Computation and Allocation of Subsidiary Capital Base Lines 8 through 10 —**

Subsidiary capital is the taxpayer's total investment in shares of capital stock of its subsidiaries and the amount of indebtedness owed to the taxpayer by its subsidiaries (whether or not evidenced by written instruments) on which interest is not claimed and deducted by the subsidiary against any tax imposed by Article 9-A, 32 or 33, less liabilities directly or indirectly attributable to subsidiary capital.

When computing the amount of indebtedness owed to the taxpayer by its subsidiaries, each subsidiary should be considered separately. Loans and advances from the parent to the subsidiary may be offset by loans and advances from the same subsidiary to the parent, but may not be reduced to less than zero. Loans and advances from a subsidiary to the parent may not offset the parent's investment in the stock of the subsidiary or offset loans and advances from the parent to any other subsidiary.

Subsidiary capital does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for the sale of property primarily held for sales to customers. Each item of subsidiary capital must be reduced by any of the parent's liabilities that are directly or indirectly attributable to that item of subsidiary capital.

When computing combined subsidiary capital all investments in the stock of subsidiaries included in the combined return and any indebtedness from subsidiaries included in the combined return must be eliminated on Form CT-3-A, column D.

**Column A** — Enter the full name and federal employer identification number of each subsidiary.

**Column C** — Enter the average value of each item of subsidiary capital. Average value is generally computed quarterly if your usual accounting practice permits. However, you may

use a more frequent basis such as a monthly, weekly or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation of average value, you may use a semiannual or annual computation if no distortion of average value results. Value marketable securities at fair market value and other items of subsidiary capital using generally accepted accounting principles.

**Column D** — Deduct all liabilities, both long-term and short-term, directly or indirectly attributable to subsidiary capital. Use the same method of averaging used to determine the average value of assets in column C. Enter for each item of subsidiary capital listed in column A the liabilities directly or indirectly attributable to it. Liabilities directly attributable to an asset (stock or debt) are those that were incurred to acquire that asset.

Use the following worksheet to determine the amount of liabilities indirectly attributable to a particular asset.

Worksheet	
Total liabilities	A _____
Liabilities directly attributable to:	
Subsidiary capital	B _____
Investment capital	C _____
Business capital	D _____
Add lines B, C and D	E _____
Subtract line E from line A	F _____
Enter amount from CT-3-A/ATT, line 8, column C	G _____
Enter amount from Form CT-3-A or CT-3-A/B, line 30, appropriate column	H _____
Divide line G by line H	I _____%
Multiply line F by line I	J _____
Value of the particular asset	K _____
Enter amount from line G	L _____
Divide line K by line L	M _____%
Enter amount from line J	N _____
Multiply line M by line N	O _____

In column D, on the line for the asset in question, include the sum of the amount from line O of this worksheet and the amount of liabilities directly attributable to that asset.

**Column E** — Determine the net average value of each item listed in column A by subtracting column D from column C. The net average value of any item cannot be less than zero.

**Column F** — Enter the issuer's allocation percentage for each item listed in column A. See instructions for Form CT-3-A, line 41.

**Column G** — Multiply net average value, column E, of each item listed in column A by its issuer's allocation percentage in column F. This is the value of subsidiary capital allocated to New York State.

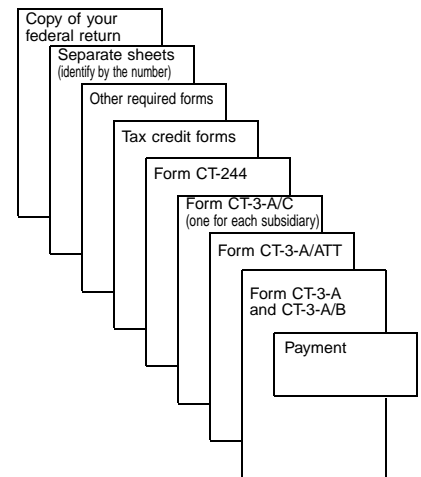
**Instructions for Form CT-3-A/B — Subsidiary Detail Spreadsheet**

The lines on this form are identical to the lines on Form CT-3-A. Therefore, separate line instructions are not needed.

Amounts from the total column on Form CT-3-A/B should be transferred to column B on Form CT-3-A. Enter these amounts on the same line of Form CT-3-A.

**When preparing and mailing your 1996 corporate franchise tax return, please be sure to:**

- Use the preaddressed label. It will assist in the proper recording of your franchise tax return.
- If you are not using the label, include your employer identification number and file number on each form filed. These numbers can be copied directly from the label.
- Have the appropriate individuals sign the return.
- Make your check payable to: **New York State Corporation Tax.**
- Attach a complete copy of your federal return.
- Attach Forms CT-3-A/ATT and CT-244 and any other schedules and tax credit claim forms used to compute your tax.
- Assemble your return and attachments this way:



Mail to: NYS CORPORATION TAX  
PROCESSING UNIT  
P O BOX 1909  
ALBANY NY 12201-1909

Imagine hundreds of creatures that sprint, swim, fly or slither. That is exactly how diverse New York's fish and wildlife species are. You too, can take an active part in ensuring the fish and wildlife diversity in New York State.

Picture yourself involved in learning about the wildlife in New York State, observing various fish and wildlife resources and helping to restore and manage them to benefit both wildlife and people.

This can be done when you *Return a Gift to Wildlife* on your New York State tax form. Also, remind your tax preparer that you wish to contribute to this worthwhile program. Remember to *Return a Gift to Wildlife*, the program dedicated to conserving New York's fish and wildlife diversity.

For additional program information or to donate directly, please write to:

**Return a Gift to Wildlife, NYS DEC, Room 122, Program 5, 50 Wolf Road, Albany NY 12233-4830.**



### **Breast Cancer Research and Education Fund**

In New York State, about 3,700 women die each year from breast cancer. Now you can make a contribution on your New York State tax return and join the fight against this dreaded disease.

Your contribution will enhance public awareness of the need for early detection, and support medical research into the causes of breast cancer and effective medical treatments.

By entering an amount in the *Gift for Breast Cancer Research and Education* area on your tax return, you will be helping to conquer this serious health threat to women. Together, we can make a difference.