New York State Department of Taxation and Finance

CT-3-S/4-S-I

1998

Instructions for Forms CT-3-S, CT-4-S, and CT-3-S-ATT
New York S Corporation Franchise Tax Return and Attachment

Tax Law — Articles 9-A and 22

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General Information

New for 1998

Beginning January 1, 1998, trucking and railroad corporations that have not made an election to remain taxable under Article 9, will now be taxable under Article 9-A. The business allocation percentage is computed on the basis of mileage and is used to allocate business income when determining the entire net income base.

Use Form CT-3-S-ATT, Schedule A, Part III to compute the business allocation percentage.

Who Must File

An S corporation is a small business corporation whose shareholders have made an election to be taxed under personal income tax law rather than corporation tax law as permitted under Subchapter S of Chapter One of the Internal Revenue Code (IRC). Federal S corporations subject to Article 9-A of the Tax Law may make the same election for New York State, called a New York S election, by filing Form CT-6, *Election by a Federal S Corporation to be Treated as a New York S Corporation*.

A corporation that has elected to be treated as a New York S corporation (by filing Form CT-6) must file either Form CT-3-S or Form CT-4-S, *New York S Corporation Franchise Tax Return*, instead of Form CT-3 or Form CT-4. This includes both corporations organized under New York State law and foreign corporations (those organized under the laws of any other state) that do business, employ capital, own or lease property or maintain an office in New York State.

Combined Returns

Certain groups of S corporations may be permitted or required to file on a combined basis. For more information, see Form CT-3-S-A, *New York S Corporation Combined Franchise Tax Return.*

A bank S corporation must use Form CT-32-S, New York Bank S Corporation Franchise Tax Return.

Foreign Corporations Authorized to Do Business but Disclaiming Tax Liability.

A foreign corporation that is authorized to do business in New York State but is disclaiming tax liability must file Form CT-245, *Maintenance Fee and Activities Return of Foreign Corporations Disclaiming Tax Liability*. The annual maintenance fee is $300.

If you are disclaiming tax liability, you do not have to file a franchise tax return (i.e., Form CT-3-S or Form CT-4-S). In the event it is determined that a franchise tax return is required, this fee may be claimed as a credit against any tax due under Article 9-A. For more details see Form CT-245.

Qualified Subchapter S Subsidiary (QSSS)

The filing requirements for a QSSS that is owned by a New York S corporation or a nontaxpayer corporation are outlined below. Where New York follows federal QSSS treatment, the parent and QSSS will file a single franchise tax return. The QSSS will be ignored as a separate taxable entity, and the assets, liabilities, income and deductions of the QSSS will be included on the parent's franchise tax return. However, for other taxes such as sales and excise taxes, and the license and maintenance fees imposed under Article 9, the QSSS will continue to be recognized as a separate corporation.

A. **Parent is a New York S Corporation** - New York State will follow the federal QSSS treatment. The parent and QSSS will be taxed as a single New York S corporation and file Form CT-3-S or CT-4-S.

B. **Nontaxpayer Parent** - New York State will follow the federal QSSS treatment where the QSSS is a New York State taxpayer but the parent is not, if the parent elects to be taxed as a New York S corporation by filing Form CT-6. The parent and QSSS will be taxed as a single New York S corporation and file Form CT-3-S or CT-4-S on a joint basis. If the parent does not elect to be a New York S corporation, the QSSS must file as a New York C corporation on a stand-alone basis on Form CT-3 or CT-4.

C. **Exception: Excluded Corporation** - Notwithstanding the above rules, QSSS treatment will not be allowed unless both parent and QSSS are general business corporations. That is, the corporations will have to file on a stand-alone basis if one is an Article 9-A taxpayer but the other is an Article 9, 32, or 33 taxpayer, or is a corporation which would be subject to such taxes if taxable in New York State.

Where New York State follows federal QSSS treatment, the QSSS will not be considered a subsidiary of the parent corporation.

To notify the Tax Department that a QSSS is included in your return, check the box on the back page of Form CT-3-S or CT-4-S and attach Form CT-60-QSSS.

Which Form to File

An S corporation whose shareholders have filed Form CT-6 and received approval as a New York S corporation must file Form CT-3-S or CT-4-S in place of Form CT-3 or CT-4. Form CT-4-S is a simplified form that can be used by most New York S corporations. You may use Form CT-4-S if the corporation meets all the following conditions:

— your entire net income is $200,000 or less;
— your gross payroll is $1,000,000 or less;
— you are not terminating your election to be a New York S corporation;
— you have no investment capital;
— you do not allocate business income within and outside New York State;
— you do not claim any tax credits or tax credit recaptures;
— you do not claim a net operating loss deduction;
— you do not have subsidiary capital;
— you do not have an addition to federal taxable income shown on Form CT-3-S, line 7 (i.e., additions related to safe harbor lease adjustments, interest paid by an acquiring corporation, special additional mortgage tax);
— you do not have subtraction S-1, S-3, or S-4 shown on Form CT-3-S, line 14 (i.e., deductions related to receipts from the operation of school buses, wages disallowed in the computation of federal taxable income as a result of claiming a federal jobs credit, and safe harbor lease adjustments); **and**
— you qualify as a small business taxpayer (Tax Law, section 210.1(f)).

Each New York S corporation must attach to Form CT-3-S:

– Form CT-34-SH to report information for all individuals, estates, and trusts who were shareholders of the New York S corporation during any part of the tax year; and
– Form CT-3-S-ATT to report the business allocation percentage; computation and allocation of capital; computation of subsidiary and investment income and the issuer’s allocation percentage.

Each New York S corporation must attach to Form CT-4-S:

– Form CT-34-SH to report information for all individuals, estates, and trusts who were shareholders of the New York S corporation during any part of the tax year.

Small Business Taxpayers — A corporation qualifies as a small business taxpayer if:

— its entire net income (before allocation) is not more than $290,000, and
— the aggregate amount of money and property it received for stock, as a contribution to capital and as paid-in surplus is not more than $1,000,000 on the last day of its taxable year, and
— the corporation is not part of an affiliated group, as defined in IRC section 1504, unless the group itself would have met the above criteria if it had filed a combined return.

New York S Corporation Termination Year

The New York S election can terminate on a day other than the first day of the taxable year, whether or not the federal S election terminates at the same time. In either case, the tax year is divided into two tax periods (an S short year and a C short year). The corporation must file Form CT-3-S or Form CT-4-S for the S short year. For the C short year, the corporation must file Form CT-3 or Form CT-4. The due date of the S short year return is the same as the New York C short year return. See TSB-M-90(11)C for further information.

If the federal and New York S elections terminate at the same time, entire net income assigned to Form CT-3-S for the S short year and to the Form CT-3 or CT-4 for the C short year is determined using the same method of accounting as used for federal income tax purposes; that is, daily pro rata allocation under section 1362(e)(2) of the IRC or normal tax accounting rules under section 1362(e)(3) of the IRC.

If the federal S election continues but the New York S election terminates, use normal tax accounting rules under section 1362(e)(3) of the IRC if:

— all persons who are shareholders in the corporation at any time during the New York S short year and all persons who are shareholders in the corporation on the first day of the New York C short year consent to such election, **or**
— there is a sale or exchange of 50% or more of the stock in the corporation during the year.

Otherwise, use the daily pro rata allocation method under section 1362(e)(2)of the IRC.

Check the box on Form CT-3-S, page 4, to indicate which method of accounting the New York S corporation elected for the New York S short year and subsequent New York C short year.

The total tax for the New York S short year and New York C short year may not be less than the fixed dollar minimum tax determined as if the corporation were a C corporation for the entire year.

To determine the tax rate for a small business taxpayer, both the S short year and the C short year are short periods requiring annualization.

Other Forms You May Require

Form CT-400, ***Estimated Tax for Corporations*** - If your New York State franchise tax liability can reasonably be expected to exceed $1,000, you must file a declaration of estimated tax.

If this expectation arises before the first day of the sixth month of your tax year, file this declaration on or before the fifteenth day of the sixth month of the tax year. Include with it a payment of one-third 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 one-third payment. Additional one-third payments are due on the fifteenth day of the ninth and twelfth months. If you report for the calendar year, file a declaration of estimated tax on June 15, September 15, and December 15. If this expectation arises after the first day of the sixth month of your tax year, see 20 NYCRR 7-2.3 to determine your estimated tax payments.

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.

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

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 DTF-95, ***Change of Business Information*** **—** If there have been any changes in the 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, refer to *Need Help?* on page 16 for information on ordering forms.

When 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.

Private Delivery Services

The date recorded or marked by certain private delivery services, as designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance, will be treated as a postmark, and that date will be considered to be the date of delivery in determining whether your return was filed on time. (Designated delivery services are listed in Publication 55, *Designated Private Delivery Services*. See *Need Help?* on page 16 of these instructions for information on ordering forms and publications.) If you use **any** private delivery service, address your return to: **State Processing Center, 431C Broadway, Menands, NY 12204**.

Extension

If you cannot meet the filing deadline, request a six-month extension of time by filing **Form CT-5.4, *Request for Six-Month Extension to File New York S Corporation Franchise Tax Return,*** on or before the due date of the return. No additional extension of time to file Form CT-3-S or CT-4-S will be granted beyond six months.

Where to File

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

If you use a delivery service other than the U.S. Postal Service, see *Private Delivery Services* above.

Additional Forms and Taxes That May Apply to You

Form CT-6, *Election by a Federal S Corporation to be Treated as a New York S Corporation,* must be filed and approved by the Tax Department in order to receive New York S corporation status.

Form CT-6.1, *Termination of Election to be Treated as a New York S Corporation,* must be filed to report the termination of New York S corporation status.

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.

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

Form CT-240, *Foreign Corporation License Fee Return,* must be filed by any corporation 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-33-D, *Tax on Premiums Paid or Payable to an Unauthorized Insurer,* must be filed if you purchased or renewed a taxable insurance contract that covers risks located in New York State 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. (See TSB-M-90(9)C for more information.)

Form CT-186-A, *Utility Services Tax Return Gross Operating Income* (Article 9, section 186-a) — A 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 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 that also provides telecommunication services must file a return under section 186-e, excise tax on telecommunication services, and pay a tax on its gross receipts from the sale of telecommunication services. For further information see Form CT-186-E-I, *Instructions for Form CT-186-E,* printed in Form CT-186-E-P (return packet).

Form CT-189, *Tax on Importation of Gas Services* — Article 9, section 189, imposes a tax on gas importers who import, or cause to be imported, gas for their own use. The tax is computed at the rate of 4.25% of the consideration given for the gas. (See TSB-M-91(5)C and TSB-M-97(3)C for more information.)

Consult **Publication 20,** *Tax Guide for New Businesses,* for additional information regarding other taxes that may apply to you.

Amended Returns — If you are filing an amended return for any purpose, including an amended return filed with Forms CT-8 or CT-3360, please write ***Amended Return*** across the top.

Overview of Corporation Franchise Tax

Tax Bases — A New York S corporation must compute a tax on entire net income (reduced by its Article 22 equivalent) and a fixed dollar minimum tax. The corporation must pay the tax that results in the highest amount owed.

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

For tax years beginning before July 1, 1998, the fixed dollar minimum tax is computed on gross payroll as follows:

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

For tax years beginning after June 30, 1998, and before July 1, 1999, the fixed dollar minimum tax is computed on gross payroll as follows:

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 but more than $250,000	$325
- $250,000 or less	$100

*Foreign authorized corporations: For tax years beginning after June 30, 1998, if the total of your tax is less than $300, you must increase your payment accordingly to satisfy the $300 maintenance fee requirement.

Short Periods — Proration of Fixed Dollar Minimum Tax

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

Period	Percent Reduction
– Not more than 6 months	50%
– More than 6 months but not more than 9 months	25%
– Over 9 months	none

Penalties and Interest

Failure to Provide Shareholder Information

If you don’t file Form CT-3-S or CT-4-S on time, providing the shareholder information required (all items of income, loss, deduction and other pertinent information), you will have to pay a penalty (section 685(h)(2)). The penalty is $50 per shareholder per month or fraction of a month up to a total of $250 per shareholder. You will also have to pay a penalty of $50 for each shareholder whose social security number you do not show (section 685(k)). All shareholders of the S corporation during any part of the tax year must be counted. The penalty may be waived if it is shown that the failure is due to reasonable cause and not due to willful neglect.

Late Payment - Interest

If you do not pay the tax due on or before the original due date, you must pay interest on the amount of underpayment from the original due date (determined **without** regard to an extension of time to file) of the return to the date the tax is paid. Exclude from the interest computation any amount representing the 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 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 representing the 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 additional charge 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 ½% 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 you think you are not liable for these additional charges, attach a statement to the return explaining the delay in filing, payment, or both (section 1085).

Note: You may have the interest and penalty computed for you by calling the Business Tax Information Center at the number listed in *Need Help?* on page 16.

Penalty for Understating 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)).

Penalty for Underpaying Estimated Tax

If you can reasonably expect your New York State franchise tax 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 Form CT-222, *Underpayment of Estimated Tax by a Corporation.*

Penalty for Failure to Provide Information Relating to Your Issuer's Allocation Percentage (applicable for Form CT-3-S only)

Section 1085(o) of the Tax Law provides for a penalty of $500 for failure to provide information needed to compute issuer's allocation percentages. The issuer's allocation percentage is computed on Form CT-3-S-ATT, Schedule B.

Civil and Criminal Penalties

Strong civil and criminal penalties may be imposed for negligence or fraud. For more information contact the Taxpayer Assistance Bureau (see *Need Help?* on page 16 for address and telephone numbers).

Termination of Business

Final Return

Check the *Final Return* box on page 1 of the return, under the form number, only if filing a final return for one of the following reasons:

— Voluntary Dissolution - New York Corporation (New York Business Corporation Law sections 1001 through 1003);

— Surrender of Authority by a Foreign Corporation (New York Business Corporation Law section 1310);

— Merger or Consolidation (New York Business Corporation Law sections 904, 905, and 907);

— Disposition of Assets - New York Corporation (New York Business Corporation Law section 909(d));

— Termination of Existence - Foreign Corporation (New York Business Corporation Law section 1311); **or**

— Liquidation under Internal Revenue Code (IRC sections 332, 333, 334, and 337).

See *Voluntary Dissolution and Surrender of Authority and Liability for Taxes and Fees* below and also Publication 110, *Information and Instructions for Termination of Business Corporations*, for the proper procedures to follow in terminating your business.

In the case of a merger or consolidation, the final return check box would be used only by the non-surviving corporation.

The return will be treated as a final return if your business is terminated with the Department of State and the return covers the tax period from the last return filed to the date of the termination.

Foreign authorized corporations see page 1 of these instructions, or refer to Form CT-245 if you are disclaiming tax liability but want to continue to be authorized to do business in New York State.

Do not check the *Final Return* box if you are only changing the type of return that you file (e.g., CT-3 to CT-3-S, CT-4-S to CT-3-S, etc.).

Voluntary Dissolution and Surrender of Authority and Liability for Taxes and Fees

A domestic corporation (incorporated in New York State) is generally liable for corporate franchise taxes for each fiscal or calendar year, or part thereof, during which it is incorporated, regardless of whether it carries on any activity. For example, a person who intends to go into business organizes a new corporation under the New York Business Corporation Law for the purpose of operating the new business as a corporation. However, the business is never started and the corporation never conducts any business. Under the circumstances, the corporation would usually be liable for franchise taxes for each taxable year until it is formally dissolved with the Department of State.

A foreign corporation (incorporated outside of New York State) is liable for franchise taxes during the period in which it does business, employs capital, owns or leases property or maintains an office in New York State. In addition, a foreign corporation which is authorized to do business in New York State is also liable for payments of its annual maintenance fee until such time as it surrenders with the Department of State its authority to do business, regardless of whether it does business, employs capital, owns or leases property or maintains an office in the state. The maintenance fee may be taken as a credit against the franchise tax.

The procedure for obtaining a consent to voluntary dissolution and surrender of authority and the forms that are required to be filed with the department are set forth in Publication 110. You can request this information by calling the Business Tax Information Center (see *Need Help?* on page 16 for telephone number.)

Reminders

Mailing Label, Employer Identification Number, File Number, and other Identifying Information

Use the mailing label provided by the Tax Department. The preprinted mailing label contains the taxpayer account identification information necessary for correct and effective processing of your tax return.

Check your label to see that the information is complete and correct. If it is incorrect, make any corrections directly on the label. (You must also file Form DTF-95, *Change of Business Information,* with the Tax Department as soon as possible.) If your mailing address is incorrect, check the box under the name and address block at the top of your corporation tax return.

Remove the peel-off label from the front cover of your packet or postcard and place it in the name and address box at the top of your corporation tax return.

To enable us to process your corporation tax forms as quickly and efficiently as possible, it is important that we have the necessary identifying information from your preprinted label. Keep a record of the label information for future use. Please be certain to include your employer identification number and file number on each corporation tax form mailed to facilitate processing of your return to the correct account. Without this information, we may not be able to process your return.

These numbers can be copied directly from the label.

Employer ID number	File number	
Name		
Number and Street		
City and Town	State	ZIP code

If you use a paid preparer or accounting firm, make sure they use the mailing label or label information when completing all forms prepared for you.

Change of Address

If your address has changed, enter your new address on the label and check the box under 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.

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.

Use of Reproduced and Computerized Forms

Photocopies of returns are acceptable if they are of good quality and have an original signature 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.*

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, the following year we will send you a mailing label that you or whoever prepares your return should use on your next return. By checking this box, you will help us reduce printing and mailing costs.

Signature

The return must be certified by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other authorized officer.

The return of a business conducted by a trustee or trustees must be signed by a person authorized to act for the 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.

Line Instructions for Form CT-4-S

Whole Dollar Amounts

You may elect to show amounts in whole dollars rather than dollars and cents. Round any 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

Your tax year for New York State must be the same as your federal income tax year. 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

Business Activity Code Number - Enter the business activity code number from your federal return. Please check the appropriate box for the type of code you are using. Check the box marked *NAICS* if you are using the North American Industry Classification System. If you have entered a Principal Industrial Activity (PIA) or Standard Industrial Classification (SIC) code, check the box marked *Other*.

Line A — Make your payment in United States funds. A foreign check or foreign money order will only be accepted if payable through a United States bank or if marked ***Payable in U.S. Funds***.

Computation of Entire Net Income Base

Special Instructions for Computing Entire Net Income by a Parent of a QSSS

Where New York State follows federal QSSS treatment, a New York S corporation that is the parent of a QSSS should compute its entire net income using the following rules:

— the assets, liabilities, income and deductions, property, payroll, receipts, capital, credits, and all other tax attributes and elements of economic activity of the QSSS shall be deemed to be those of the parent corporation;

— the stocks, bonds, and other securities issued by and any indebtedness from the QSSS shall not be subsidiary capital or investment capital of the parent corporation;

— transactions between the parent corporation and the QSSS, including payment of interest and dividends, shall not be taken into account; **and**

— general executive officers of the QSSS shall be deemed to be general executive officers of the parent.

Line 1 — Enter the amount of federal taxable income that you would have reported on federal Form 1120, line 28, had the election under Subchapter S of Chapter One of the IRC not been made. Attach a statement (or a pro forma federal Form 1120) showing the computation of federal taxable income required to be shown on federal Form 1120, line 28. The statement or pro forma federal Form 1120 must include the following items not reported on federal Form 1120S:

— dividend income from federal Form 1120, line 4;
— interest income from federal Form 1120, line 5;
— gross rental income from federal Form 1120, line 6;
— gross royalty income from federal Form 1120, line 7;
— capital gain net income from federal Form 1120, line 8; **and**
— charitable contribution deductions from federal Form 1120, line 19.

Line 2 — Enter all interest received or accrued from federal, state, municipal and other obligations that was exempt from taxation on your federal income tax return 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 on your federal return for New York taxes imposed under Article 9-A, Article 32 or sections 183, 183-a, 184 and 184-a of Article 9. Include the amount deducted for taxes paid or accrued to the United States, its possessions, 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. However, do not include New York City taxes.

Line 4 — Before making an entry on line 4, complete Form CT-399. Enter the amount of your federal Accelerated Cost Recovery System (ACRS) or Modified Accelerated Cost Recovery System (MACRS) deduction that must be added back to federal taxable income from Form CT-399, line 4, or, if you disposed of property this year, use the amount from line 12, column A of Form CT-399.

Line 6 — In place of the disallowed ACRS or MACRS deduction entered on line 4, enter the amount from Form CT-399, line 5, column I, or, if you disposed of property this year, enter the amount from line 12, column B. Attach Form CT-399.

Line 7 — Include any refund or credit of a tax imposed under Article 9, sections 183, 183-a, 184 and 184-a, Article 9-A or Article 32 of the Tax Law for which no deduction was allowed in computing your entire net income in any prior year. Do not include on this line any refund or credit of tax that was used to offset an addition of tax on line 3. Do not include any refund or credit of New York City franchise taxes.

Line 9 — Subtract line 8 from line 5. This is your entire net income. If this line is **over** $200,000, do not continue; you must use Form CT-3-S. If the tax period is less than 12 months, the entire net income on this line must be annualized to determine filing status. Multiply entire net income on this line by 12 and divide by the number of months in the short period. If your annualized entire net income is over $200,000, you must file Form CT-3-S.

Tax Computation

Line 10 — A New York S corporation that qualifies as a small business taxpayer and does not allocate, has $200,000 or less of entire net income, and has a gross payroll of not more than $1,000,000, will always owe the fixed dollar minimum tax.

For tax years beginning before July 1, 1998, the fixed dollar minimum tax is computed on gross payroll as follows:

For a corporation with a gross payroll of:	The fixed dollar minimum tax is:
- $1,000,000 or less	$325

For tax years beginning after June 30, 1998 and before July 1, 1999, the fixed dollar minimum tax is computed on gross payroll as follows:

For a corporation with a gross payroll of:	The fixed dollar minimum tax is:
- $1,000,000 or less but more than $250,000	$325
- $250,000 or less	$100

*Foreign authorized corporations: For tax years beginning after June 30, 1998, if the total of your tax and MTA surcharge is less than $300, you must increase your payment accordingly to satisfy the $300 maintenance fee requirement.

Short Periods-Proration of fixed dollar minimum tax - The fixed dollar minimum tax may be reduced for short periods as follows:

Period	Percent reduction
– Not more than 6 months	50%
– More than 6 months but not more than 9 months	25%
– Over 9 months	none

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. If your annualized gross payroll is over $1,000,000 you must file Form CT-3-S.

Lines 13 and 14 — If you are not filing this return on time you must pay interest and additional charges. See *Penalties and Interest* on page 3.

Lines 16a and 16b — If you want to contribute to the Gift to Wildlife or the Breast Cancer Research and Education Fund, enter the amount on the appropriate line. The amount you give must be in whole dollars. Your gift will increase your payment or reduce your overpayment. You may not change the amount of your gift after you file the return.

Line 18 Unrequested Refunds to be Credited Forward — If the corporation 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 and explain how to request a refund of the credited amount. If you choose to request a refund of the credited amount, you must claim a refund of the overpayment prior to the original due date of the following year's return.

Lines 19 and 20 — You may apply an overpayment as a credit to your next state franchise tax period or you may have it refunded. Indicate on lines 19 and 20 the amounts you wish transferred as credits or refunded.

Collection of debts from your refund — We will keep all or part of your refund if you owe a past-due legally enforceable debt to the Internal Revenue Service or a New York State agency. This includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district. Any amount over your debt will be refunded.

If you have any questions about whether you owe a past-due legally enforceable debt to the Internal Revenue Service or a state agency, contact the IRS or that particular state agency.

For New York State tax liabilities **only** call 1 800 835-3554 (outside the U.S. and outside Canada call (518) 485-6800) or write to NYS TAX DEPARTMENT, TAX COMPLIANCE DIVISION, W A HARRIMAN CAMPUS, ALBANY NY 12227.

Line 21 — Fill in this line if you qualify as a small business taxpayer. See *Small Business Taxpayers* on page 2. Use the worksheet below to determine the amount to be entered on line 21. Use your balance sheet amounts for stock and other paid-in capital.

	No. of shares	Amount
Par value stock		
No par stock		
Contribution to capital and paid-in surplus		
Total capital contribution - enter on line 21		

Line Instructions for Form CT-3-S

Whole Dollar Amounts — You may elect to show amounts in whole dollars rather than in dollars and cents. Round any 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

Your tax year for New York State must be the same as your federal income tax year. 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

Business Activity Code Number - Enter the business activity code number from your federal return. Please check the appropriate box for the type of code you are using. Check the box marked *NAICS* if you use the North American Industry Classification System. If you have entered a Principal Industrial Activity (PIA) or Standard Industrial Classification (SIC) code, check the box marked *Other*.

Additional Schedules

You may need to use additional schedules to complete your return. Schedules A through D appear on Form CT-3-S-ATT. If you use any schedules you must attach them to your return.

Line A — Make your payment in United States funds. A foreign check or foreign money order will only be accepted if payable through a United States bank or if marked ***Payable in U.S. Funds.***

Special Instructions for Computing Entire Net Income by a Parent of a QSSS

Where New York State follows federal QSSS treatment, a New York S corporation that is the parent of a QSSS should compute its entire net income using the following rules:

— the assets, liabilities, income and deductions, property, payroll, receipts, capital, credits, and all other tax attributes and elements of economic activity of the QSSS shall be deemed to be those of the parent corporation;

— the stocks, bonds, and other securities issued by and any indebtedness from the QSSS shall not be subsidiary capital or investment capital of the parent corporation;

— transactions between the parent corporation and the QSSS, including payment of interest and dividends, shall not be taken into account; **and**

— general executive officers of the QSSS shall be deemed to be general executive officers of the parent.

Line 1 — Enter the amount of federal taxable income that you would have reported on federal Form 1120, line 28, had the election under Subchapter S of Chapter One of the IRC not been made. Attach a statement (or a pro forma federal Form 1120), showing the computation of federal taxable income required to be shown on federal Form 1120, line 28. The statement or pro forma federal Form 1120, must include the following items not reported on federal Form 1120S:

— dividend income from federal Form 1120, line 4;

— interest income from federal Form 1120, line 5;

— gross rental income from federal Form 1120, line 6;

— gross royalty income from federal Form 1120, line 7;

— capital gain net income from federal Form 1120, line 8; **and**

— charitable contribution deductions from federal Form 1120, line 19.

Lines 2 through 7 Additions — Use lines 2 through 7 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 taxation on your federal income tax return and is, therefore, not included on line 1. You may deduct from this amount any expenses attributable to such interest but denied deductibility under IRC section 265. Attach a list of items included on this line.

Lines 3a through 4b Subsidiaries — If you have a subsidiary, you must complete Form CT-3-S-ATT, Schedule C. If you have subsidiary capital included on Form CT-3-S-ATT, line 45, column C, complete lines 3a, 3b, 4a, and 4b to report any expenses directly or indirectly attributable to subsidiary capital. 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 on noninterest expenses. If you do not have a subsidiary, enter zero on lines 3a, 3b, 4a, and 4b. See the following definitions of a subsidiary corporation and subsidiary capital.

A *subsidiary corporation* is a corporation (not including a DISC) of which you own more than half of the voting stock issued and outstanding. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books of 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 or chains. See 20 NYCRR 3-6.2 for additional information.

Subsidiary capital is the taxpayer's total investment in shares of stock in 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 under Articles 9-A, 32 or 33 of the Tax Law.

Line 3a — Enter the amount of **interest** deductions allowed in the computation of entire net income (i.e., includable in the amount on *Line 4a Worksheet,* line E) that are **directly** attributable to subsidiary capital (or to income, losses, or gains from subsidiary capital).

Line 3b — Enter the amount of **noninterest** deductions allowed in the computation of entire net income (i.e., includable in the amount on *Line 4b Worksheet,* line E) that are **directly** attributable to subsidiary capital (or to income, losses or gains from subsidiary capital).

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

— interest on debt incurred to buy subsidiary capital;

— salaries of employees engaged in the management, supervision, or conservation of subsidiary capital;

— expenses for legal advice relating to the acquisition of subsidiary capital; **and**

— stewardship deductions relating to subsidiary capital.

Do not include on lines 3a and 3b interest deductions or noninterest deductions that are directly attributable to:

— investment capital (or to income, losses or gains from investment capital); see Form CT-3-S-ATT, lines 63a and 63b; **or**

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

Line 4a — Compute the amount of **interest** deductions that are **indirectly** attributable to subsidiary capital (or to income, gains or losses from subsidiary capital) using *Line 4a Worksheet,* on page 17.

Line 4b — Compute the amount of **noninterest** deductions that are **indirectly** attributable to subsidiary capital (or to income, gains or losses from subsidiary capital) using *Line 4b Worksheet,* on page 17.

Line 5 — Enter the amount deducted on your federal return for taxes imposed under Article 9, sections 183, 183-a, 184, 184-a, Articles 9-A and 32. Include the amount deducted for taxes paid or accrued to the United States, its possessions, 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. However, do not include New York City franchise taxes.

Line 6 — Before making any entry on this line, complete Form CT-399. Enter from Form CT-399, line 4, the amount of your federal accelerated cost recovery system (ACRS) and modified accelerated cost recovery system (MACRS) deduction that must be added back to federal taxable income. If you disposed of property this year, use the amount from Form CT-399, line 12, column A.

Line 7 — If you have any of the following other additions to federal taxable income, enter the total amount of those additions and attach a list.

A-1 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-2 In general, you must include on this line up to 5% of certain interest paid by an acquiring corporation in the acquisition of another 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-3 The amount of special additional mortgage recording tax paid in tax years beginning after 1993 under section 253(1-a) of the Tax Law allowed as a deduction in determining federal taxable income, where a credit is allowed on Form CT-43 or where a refund is allowed on Form CT-43.1 for the tax year.

A-4 The amount of special additional mortgage recording tax paid in tax years beginning after 1993, under section 253(1-a) of the Tax Law, when property for which the tax was paid is sold or disposed of at a gain or loss and the basis of the property was not adjusted by the special additional mortgage recording tax credit if a credit or refund was allowed on Form CT-43 or Form CT-43.1.

A-5 Qualified emerging technology investments (QETI) — If you elected to defer the gain from the sale of QETI, you may need to make an addition to your federal taxable income. Add to the federal taxable income the amount previously deferred when the reinvestment in the New York qualified emerging technology company which qualified you for that deferral is sold. See subtraction S-5 on page 9.

Lines 9 through 14 Subtractions — Use lines 9 through 14 to subtract items that are included in federal taxable income but should not be included in New York State entire net income.

Line 9 — If you have a subsidiary, complete Schedule C on Form CT-3-S-ATT and enter the amount from Part II, line 51. This amount must include capital gains and any other income and gain from subsidiary capital that was included as part of federal taxable income. Do not include foreign dividends gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

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).

Effective for periods beginning on or after January 1, 1989, 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 acquisition, subsidiary capital treatment will not be allowed the parent.

Line 10 — Enter 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 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 cash on Form CT-3-S-ATT, Schedule D, Part I, Section II, line 54. Do not include the following: (1) *grossed-up* dividends, pursuant to section 78 of the IRC, (2) subsidiary dividends treated as investment income pursuant to Article 9-A, section 208.9(b)(12). For more information see TSB-M-89(14)C and TSB-M-89(17)C.

Line 11 — 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** a New York amount treated as dividends pursuant to section 78 of the IRC (section 208.9(a)(6)).

Line 12 — A New York S corporation is allowed a net operating loss deduction that based upon the deduction allowed under section 172 of the IRC, had the corporation not made the election under Subchapter S of Chapter One of the IRC (the amount that would have been entered as net operating loss deduction on federal Form 1120, line 29a).

These rules apply:

— A deduction is not allowed for a net operating loss sustained during any taxable year
  - beginning before January 1, 1990, or
  - in which the corporation was not subject to tax under Article 9-A, or
  - in which the corporation was a New York C corporation.

— IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b) and (g).

— The New York State net operating loss deduction is limited to the amount required under section 172 of the IRC to reduce federal taxable income to zero.

— In general, in a highly leveraged transaction, any net operating loss of a target corporation from prior years or a loss sustained in the year of merger, acquisition or consolidation occurring after April 19, 1989, cannot be used by the acquiring corporation. For complete details see instructions for Form CT-244 and TSB-M-89(17)C.

— You may carry a net operating loss back or forward.* Both a New York C year and a New York S year are counted as a tax year for determining the number of tax years for which a net operating loss may be carried back or carried forward.

— The New York State net operating loss carryback is computed as if the corporation elected under section 172 of the IRC to relinquish the carryback provisions, except for the first $10,000 for each loss year that may be carried back to preceding years.

— Any portion of the New York State $10,000 net operating loss carryback that was not carried back to preceding years may be carried forward.

— The New York net operating loss deduction for any particular year is limited to a federal net operating loss deduction for that year. (For the purposes of this limitation, a corporation that has elected to carryback up to $10,000 of its net operating loss for New York State purposes, should compute its federal net operating loss deduction as if it only carried back the same $10,000).

You may elect to relinquish the carryback. The election must be filed on or before the due date (or extended due date) of the return for the loss year. Any corporation that does not make a timely election must carry the first $10,000 of the net operating loss back before the loss can be carried forward.

— *For net operating losses in taxable years beginning on or before August 5, 1997, the net operating loss may be carried back three years and carried forward 15 years.
— For net operating losses incurred in taxable years beginning after August 5, 1997, the net operating loss may be carried back two years instead of three years (with an exception for certain disaster losses), but may be carried forward for 20 years.

Line 13 — In place of the disallowed ACRS or MACRS deduction entered on line 6, 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; if you have disposed of property this year, enter the amount from line 12, column B, and attach Form CT-399.

Line 14 — 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 If you have 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 income that are directly or indirectly attributable to those receipts.

S-2 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 5. Do not include any refund or credit of New York City taxes.

S-3 Include the amount of wages disallowed under IRC section 280(c) in the computation of your federal taxable income because you claimed a federal employment credit. Attach a copy of the appropriate federal form

S-4 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 determined in IRC section 103(b)(9) are exempt from these adjustments.

S-5 You may defer the gain on the sale of qualified emerging technology investments (QETI) that are (1) held for more than 36 months and (2) rolled over into the purchase of a QETI within 365 days. Replacement QETI must be purchased within the 365 day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the sale of the original QETI exceeds the cost of replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. The gain deferred must be added back in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from federal taxable income the amount of the gain deferral (to the extent the gain is included in federal taxable income). If purchase of the replacement QETI within the 365 day period occurs in the same taxable year as the sale of the original QETI, or in the following taxable year and before the date the corporation's franchise tax return is filed, take the deduction on that return. If purchase of the replacement QETI within the 365 day period occurs in the following taxable year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction.

A QETI is an investment in the stock of a corporation or an ownership interest in a partnership or limited liability company (LLC) that is a qualified emerging technology company. A QETI is also an investment in a partnership or an LLC to the extent that such partnership or LLC invests in qualified emerging technology companies. The investment must be acquired by the taxpayer as provided in Internal Revenue Code section 1202(c)(1)(B), or from a person who acquired it pursuant to this section. IRC section 1202(c)(1)(B) requires the acquisition to be original issue from the company, either directly or through an underwriter, and in exchange for cash, services, or property (but not stock).

A *qualified emerging technology company* is a company located in New York State that has total annual product sales of $10 million or less and that meets either of the following criteria: (1) its primary products or services are classified as emerging technologies; or (2) it has research and development activities in New York State and its ratio of research and development funds to net sales equals or exceeds the average ratio for all surveyed companies classified (as determined by the National Science Foundation in the most recently published results from its survey of Industry Research and Development, or a comparable successor survey as determined by the department).

Line 16 — Subtract line 15 from line 8 to determine your entire net income. To show a loss, use parentheses. If line 16 is a loss, without regard to the deduction on line 12, complete the net operating loss carryback election on Form CT-3-S, page 2.

Lines 17 through 21 Entire Net Income Base — The 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 17 — Complete Form CT-3-S-ATT, Schedule D, Part II, and enter the amount of your investment income from line 67. Do not enter more than the amount from line 16. If you had no investment income, enter "0" and do not use Schedule D.

Line 20 — Multiply line 18 by your business allocation percentage from Form CT-3-S-ATT, Schedule A, line 19, 27, or 29. If your property, payroll and sales were entirely within New York State, enter the full amount from line 18 and do not use Schedule A.

Line 22 Entire Net Income Base Tax Computation — If the entire net income base shown on line 21 is a loss, enter "0." If the entire net income base shown on line 21 is a gain, multiply line 21 by the appropriate tax rate in effect under Article 9-A of the Tax Law.

Read the following instructions to determine the appropriate tax rate, which may vary from 8% to 9%.

To determine the appropriate tax rate, you must first determine whether or not you qualify as a small business taxpayer under section 210.1(f) of the New York State Tax Law.

A corporation qualifies as a small business taxpayer if:

— its entire net income on line 16 (before allocation) is not more than $290,000; **and**
— the aggregate amount of money and property it received for stock, as a contribution to capital and as paid-in surplus is not more than $1,000,000 on the last day of its taxable year; **and**
— the corporation is not part of an affiliated group, as defined in IRC section 1504, unless the group itself would have met the above criteria if it had filed a combined return.

Short Periods — A New York S corporation that files Form CT-3-S for a tax year of less than 12 months must annualize entire net income on Form CT-3-S, line 16, before determining if it qualifies as a small business taxpayer. For a period of less than 12 months, annualize the entire net income (line 16) by dividing it by the number of months in the short period and multiplying the result by 12.

Taxpayers that do not qualify as small business taxpayers under section 210.1(f) of the New York State Tax Law multiply the entire net income base on line 21 by 9%.

Small business taxpayers filing a 12-month tax return must multiply the entire net income base on line 21 as follows:

— 8% of any amount up to $200,000; **plus**
— 9% of any amount over $200,000; **plus**
— 5% of any amount over $250,000.

Example: *If entire net income on line 21 is $265,000, the tax is computed as follows:*

(8% × $200,000)	= $ 16,000
(9% × ($265,000 − $200,000))	= + 5,850
(5% × ($265,000 − $250,000))	= + 750
Total Tax	$ 22,600

Attach a copy of your worksheet to the tax return.

Small business taxpayers filing a tax return for a period of less than 12 months must annualize (see *Short Periods* above) the entire net income base on line 21 prior to computing the tax.

Attach a copy of your worksheet to the tax return.

Line 23 Article 22 Tax Equivalent Reduction — Multiply the entire net income base shown on line 21 by **7.875%** (.07875).

If the entire net income base shown on line 21 is a loss, enter "0."

Line 25 Fixed Dollar Minimum Tax before Article 22 Tax Equivalent Reduction — The fixed dollar minimum tax is determined by the gross payroll. The fixed dollar taxes are listed on page 3.

Gross payroll is 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 1120S, lines 7 and 8, plus any wages included in the cost of goods sold, Form 1120S, Schedule A, line 8.

Lines 27 Fixed Dollar Minimum Tax after Article 22 Tax Equivalent Reduction — Subtract line 26 from line 25.

The Article 22 tax equivalent reduction amount cannot reduce the fixed dollar minimum tax to less than $325 or $100 reduced for tax periods of 9 months or less.

Line 29 — Enter the amount of special additional mortgage recording tax credit from Form CT-43, line 7, or the amount of special additional mortgage recording tax credit shown on Form CT-43.1, line 4.

For tax years beginning on and after January 1, 1994, the special additional mortgage recording tax credit is applied against the Article 9-A franchise tax of a New York S corporation on Form CT-3-S and will not flow through to the individual shareholders of a New York S corporation under Article 22.

Line 31 — The special additional mortgage recording tax credit cannot reduce the franchise tax below the fixed dollar minimum tax on line 27. If line 30 is less than the fixed dollar minimum tax shown on line 27, enter on line 31 the fixed dollar minimum tax from line 27.

Line 32 — If you claimed any New York State tax credits during any year before you became a New York S corporation and the property on which you claimed the credit is disposed of or ceases to be in qualified use, you must recapture the credit.

Use the appropriate credit form to compute the recaptured tax credits.

Line 35b — If you did not file Form CT-5.4 and the amount on line 34 is more than $1,000, you must pay a mandatory first installment for the period following that covered by this return. Enter 25% of the tax shown on line 34.

Line 45 — 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 line 45. If no penalty is due, enter "0" on line 45.

Lines 46 and 47 — If you are not filing this return on time, you must pay interest and additional charges. See *Penalties and Interest* on page 3.

Line 49 — If you want to make a contribution to the Gift to Wildlife Fund or the Breast Cancer Research and Education fund, enter the amount in the appropriate box. Enter the total of both gifts on line 49. The amount you give must be in whole dollars. Your gift will increase your payment or reduce your overpayment. You may not change the amount of your gift after you file the return.

Line 51 Unrequested Refunds to be Credited Forward — If you have overpaid your tax, you 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 and explain how to request a refund of the credited amount. If you choose to request a refund of such credited amount, you must claim a refund of such overpayment prior to the original due date of the following year's return.

Lines 52 and 53 — You may apply an overpayment as a credit to your next state franchise tax period or you may have it refunded. Indicate on lines 52 and 53 the amounts you wish transferred as credits or refunded.

Line 54 — Enter the amount of refundable special additional mortgage recording tax credit from Form CT-43.1, line 5 or line 9. Do not include on this line any amount of special additional mortgage recording tax credit shown on Form CT-43.

Collection of debts from your refund — We will keep all or part of your refund if you owe a past-due legally enforceable debt to the Internal Revenue Service or a New York State agency. This includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district. Any amount over your debt will be refunded.

If you have any questions about whether you owe a past-due legally enforceable debt to the Internal Revenue Service or a state agency, contact the IRS or that particular state agency.

For New York State tax liabilities **only,** call 1 800 835-3554 (outside the U.S. and Canada call (518) 485-6800) or write to NYS TAX DEPARTMENT, TAX COMPLIANCE DIVISION, W A HARRIMAN CAMPUS, ALBANY NY 12227.

Small Business Taxpayer

Lines 55 and 56 — If you used the small business tax rate on line 22 you must complete line 56 to show that your corporation qualifies for the lower tax rate. See the instructions for line 22 for the definition of a small business taxpayer. Use the worksheet below to determine the amount to be entered on line 56. Use your balance sheet amounts for stock and other paid-in capital.

	Number of shares	Amount
Par value stock		
No par stock		
Contribution to capital and paid-in surplus		
Total capital contribution - enter on line 56		

Signature — This return must be signed by an officer of the corporation. Failure to sign the return will delay the processing of any refunds and may result in penalties. (See *Signature* on page 5.)

Line Instructions for Form CT-3-S-ATT, Schedules A, B, C, and D

Schedule A, Part I — Computation of Business Allocation Percentage

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.

Lines 1 through 5 — Enter the New York State amounts in column A and the total amounts in column B.

You must value real and tangible personal property owned by the corporation at the adjusted basis for federal income tax purposes. 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.

Line 1 — 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.

Line 2 — Enter the average value of real property rented to you as lessee. 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.

Line 3 — Enter the average value of inventories.

Line 4 — 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.

Line 5 — Enter the average value of tangible personal property rented to you as lessee. The value of rented tangible personal property is generally eight times the gross rent payable during the year covered by this return.

Lines 8 and 9 — Enter receipts from the sale of tangible personal property.

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 that are:

— created by an artist or craftsman; **and**

— consigned by such artist or craftsman to an art merchant; **and**

— sold by the art merchant on and after August 9, 1995.

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

Line 10 — Enter receipts for services performed, based on where they are performed.

Receipts from Broadcasting or Publishing

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

Chapter 345 of the Laws of 1988 provided a new method for the allocation of receipts received from an investment company for the sale of management, administration, or distribution services. One hundred percent of the receipts from these services must be allocated based on the domicile of the shareholders of the investment company (section 210.3(a)(6)(A)(ii)). For a full description of the amendment to the law see TSB-M-88(9)C.

Receipts for Services by Air Freight Forwarders

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

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

Line 11 — Enter receipts from all property you rented to others. Rental receipts are attributable to the location of the property.

Line 12 — Enter receipts from royalties, allocated where earned.

Line 13 — Enter all other business receipts, allocated where earned.

Line 16 — Enter the total amount of all wages and 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 State 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.

Line 19 — Divide line 18 by three or by the number of factors. This is your allocation percentage for business income and capital. Enter this amount on Form CT-3-S, line 20, and on Form CT-3-S-ATT, Schedule B, line 42. If a 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 column A and column B 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%*
Payroll factor	*60%*	*0%*	*None**
Total	*160%*	*90%*	*90%*
Divided by	*3*	*3*	*2*
Allocation percentage for business income and capital	*53%*	*30%*	*45%*

*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.

Schedule A, Part II — Computation of Business Allocation Percentage for Aviation Corporations

Lines 20 Aircraft Arrivals and Departures — 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 22 Revenue Tons Handled — 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 24 Originating Revenue — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

Schedule A, Part III – Computation of Business Allocation Percentage for Trucking and Railroad Corporations

Beginning January 1, 1998, trucking and railroad corporations that have not made an election to remain taxable under Article 9, will now be taxable under Article 9-A.

Use Schedule A, Part III to compute the business allocation percentage. The business allocation percentage is computed on the basis of mileage and is used to allocate business income when determining the entire net income base.

The mileage allocation is a percentage based on the number of revenue miles traveled within New York State compared to the total revenue miles traveled everywhere (non-revenue miles, such as deadheading miles, should be excluded).

Line 28 — Enter on line 28, column A, the number of revenue miles within New York State.

Enter on line 28, column B, the number of revenue miles everywhere.

Schedule B, Computation and Allocation of Capital

To determine the value of your assets for the 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 30 through 34 to adjust the assets you reported on your federal return.

On lines 30 through 35, enter the values at the beginning of the year in column A and at the end of the year in column B. Enter the average value in column C. 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 30 — Enter your total assets from the balance sheet of your federal tax return.

Line 31 — Enter the federal balance sheet value of any real property and marketable securities included on line 30.

Line 33 — Enter the fair market value of real property and marketable securities included on line 31. 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. To determine fair market value of real property, see TSB-M-85(18.1)C.

Line 35 — Enter the amount of all liabilities (both long and short term) when computing the capital base. Use the same method of averaging that you used to determine average value of assets.

Schedule C

Complete Schedule C if you have any subsidiaries. A subsidiary is a corporation that is controlled by the taxpayer, because the taxpayer owns more than 50% of the total number of shares of the corporation's voting capital stock, issued and outstanding. A DISC is not a subsidiary.

The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books of 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 20 NYCRR 3-6.2 for additional information.

Schedule C, Part I — Computation and Allocation of Subsidiary Capital

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 sale 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.

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

Column C – Enter the average value of each item of your investment in subsidiaries. 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 property 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 Form CT-3-S-ATT, Schedule C, Part I, line 45, column C	**G**	
Enter amount from Form CT-3-S-ATT, Schedule B, line 34, column C	**H**	
Divide line **G** by line **H**	**I**	%
Multiply line **F** by line **I**	**J**	
Value of the particular asset shown in Schedule C, Part I, column C	**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. The issuer's allocation percentage is used to compute the amount of subsidiary capital allocated to New York State. The issuer's allocation percentage is obtained from the New York State corporation franchise tax return filed by the corporation that issued the stock, bond, or other security and represents that corporation's amount of capital employed in New York State as compared to total capital employed everywhere. Issuer's allocation percentages can be obtained from tax service publications or by written request (in duplicate) to: NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227.

For information, see *Need Help?* on page 16 of these instructions.

If the corporation that issued the stock, bond or other security is not required to file a New York State corporation franchise tax return, its issuer's allocation percentage is zero.

Always enter the issuer's allocation percentage from the first year preceding the current tax year. *Example: If the S corporation is computing Schedule C for 1998, enter the issuer's allocation percentage obtained from the issuer's 1997 tax return.*

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.

Schedule C, Part II — Income Attributable to Subsidiary Capital

Lines 48 through 50 — Enter the amount of interest, dividends, and capital gains attributable to subsidiary capital. In addition, include on line 50 items such as collapsible corporation gain and gain on the sale of subsidiary capital that is not a capital asset for federal tax purposes.

Schedule D, Part I — 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 government 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, on this page);

(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 14), 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**

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

The term *instrument* includes stock and debt 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 under 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 it 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 options

Section I

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 14.

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 that 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 taxpayer's hands 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;

— 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 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. An *affiliated group* is a corporation or corporations and the common parent thereof.

A *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 with at least 80% of the voting stock 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;

— 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 if it is:

(1) payable on demand;
(2) payable by its terms within 6 months and 1 day from the date the debt was incurred; **or**
(3) 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 that is not more than 6 months and 1 day prior to the maturity date (see *Examples* below).

Cash, under some circumstances, may be treated as investment capital. See the instructions for line 54.

Examples:

(1) A calendar year taxpayer owns a municipal bond with a maturity date of 1/31/99. As of 7/30/98, 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 Section 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 7/30/98. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after 7/29/98.

(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 owns a five year qualifying marketable corporate bond with a maturity date of 1/2/99. The taxpayer also owns corporate stock, but has no cash at any point during the 1998 tax year. The bond is deemed to be cash as of 7/1/98, the date six months and one day prior to maturity. The fair market value of the bond is $95,000 on 3/31/98, $90,000 on 6/30/98, $98,000 on 9/30/98 and $100,000 on 12/31/98. 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)/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)/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 these 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, that 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)/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)/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 54, column C and $3,500 on line 54, 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 12/15/98. 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 6/14/98.

Section II

Column A – List investments in the following:

— stock issued by a corporation;

— options as described in item (4) of the definition of investment capital 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.

Sections I and II – Columns C through G

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).

When a debt instrument ceases to be treated as investment capital in Section I and is treated as cash because of the six month and one day rule, compute the column C average value of the debt instrument and the column C average value of cash as shown in *Example 3* above.

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. When a debt instrument ceases to be treated as investment capital in Section I and is treated as cash because of the six month and one day rule, compute the column D liabilities of the debt instrument and the column D liabilities of cash as shown in *Example 3* above.

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 Form CT-3-S-ATT, Schedule D, Part I, line 55, column C	G	
Enter amount from Form CT-3-S-ATT, Schedule B, line 34, column C	H	
Divide line **G** by line **H**	I	%
Multiply line **F** by line **I**	J	
Value of the particular asset shown in Schedule D, Part I, column C	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. The issuer's allocation percentage is used to compute the amount of investment capital allocated to New York State. The issuer's allocation percentage is obtained from the New York State corporation franchise tax return filed by the corporation that issued the stock, bond or other security and represents that corporation's amount of capital employed in New York State as compared to total capital employed everywhere. Issuer's allocation percentages can be obtained from tax service publications or by written request (in duplicate). See *Need Help?* on page 16 of these instructions.

If the corporation that issued the stock, bond or other security is not required to file a New York State corporation franchise tax return, its issuer's allocation percentage is zero.

The issuer's allocation percentage for all governmental securities is 0%.

Always enter the issuer's allocation percentage from the first year preceding the current tax year. *Example: If the New York S corporation is computing Schedule D for 1998, enter the issuer's allocation percentage obtained from the issuer's 1997 tax return.*

Issuer's allocation percentages are 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.

Line 53 — The investment allocation percentage is computed without the addition of cash on line 54.

Line 54 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.

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 *Instruments Deemed Cash* on page 14.

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

Schedule D, Part II — Computation of Investment Income for Allocation

Complete this schedule if you are allocating part of your entire net income by using an investment allocation percentage from Schedule D, Part I. 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 56 — Enter interest income received from investment capital listed in Schedule D, Part I, Section I, column A, to the extent included in entire net income.

Line 57 — Enter interest income received from bank accounts (cash) if included on line 54. Include interest income received from a savings account, checking account, time deposit account (i.e., certificate of deposit) or similar accounts, that are usually evidenced by a passbook. Enter "0" on this line if the investment allocation percentage on line 53 is zero. This interest income will be allocated by the business allocation percentage as business income.

Line 58 — Enter interest income from debt instruments deemed cash, if included on line 54.

Line 59 — Enter dividend income received from investment capital listed in Schedule D, Part I, Section II, Column A, or dividend income received from money market mutual funds included as cash on line 54, 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 54. 50% of these dividends were deducted on Form CT-3-S, line 10;
- 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 246(c). 50% of these dividends were deducted on Form CT-3-S, line 10;
- 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. 50% of these dividends were deducted on Form CT-3-S, line 10;
- 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. See Tax Law sections 208.4, 208.9(b)(12) and (14).

Line 60 — Enter any net capital gains or losses from the sales and exchanges of securities constituting investment capital, that were used in computing federal taxable income.

Line 61 — Other items of investment income include but are not limited to the following:

- premium income from an unexercised covered call option if the item that covers the call is an item constituting investment capital;
- interest income from a target corporation or capital gain or loss of a target corporation. See Tax Law sections 208.4 and 208.9(b)(13).

Line 63a — Enter the amount of **interest** deductions allowed in the computation of entire net income (i.e., includable in the amount on the *Line 64a Worksheet,* line E) that are **directly** attributable to investment capital (or to income, losses or gains from investment capital).

Line 63b — Enter the amount of **noninterest** deductions allowed in the computation of entire net income (i.e. includable in the amount on the *Line 64b Worksheet,* line E) that are **directly** attributable to investment capital (or to income, losses or gains from investment capital).

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

- interest on debt incurred to buy 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 investment capital;
- investment counsel fees;
- custodian fees;
- the cost of insurance and fidelity bonds covering investment capital; **or**
- expenses for legal advice relating to the acquisition of investment capital.

Do not include on lines 63a and 63b interest deductions or noninterest deductions that are directly attributable to:

— subsidiary capital (or to income, losses or gains from subsidiary capital) see Form CT-3-S, lines 3a and 3b; **or**

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

Line 64a — Compute the amount of **interest** deductions that are **indirectly** attributable to investment capital (or to income, gains or losses from investment capital) using the *Line 64a Worksheet,* on page 18.

If you completed the *Line 4a Worksheet* on page 17 of these instructions, skip lines A through I on the *Line 64a Worksheet* and enter on line J the amount from the *Line 4a Worksheet,* line J.

Line 64b — Compute the amount of **noninterest** deductions that are **indirectly** attributable to investment capital, or to income, gains or losses from investment capital, using *Line 64b Worksheet,* on page 18.

If you completed the *Line 4b Worksheet* on page 17 of these instructions, skip lines A through I on the *Line 64b Worksheet* and enter on line J the amount from the *Line 4b Worksheet,* line J.

Line 66 — Apportion any net operating loss deduction claimed on Form CT-3-S, line 12, between business income and investment income. Divide investment income before deduction of any net operating loss (Schedule D, Part II, line 65) by entire net income before deduction of any net operating loss (Form CT-3-S, line 16 plus line 12). Multiply the result by the net operating loss deduction. Enter this amount on line 66.

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 Registration and Data Services Bureau, NYS Tax Department, Building 8 Room 924, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.

Need Help?

Telephone Assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday. **For business tax information and forms,** call the Business Tax Information Center at 1 800 972-1233. **For general information,** call toll free 1 800 225-5829. **To order forms and publications,** call toll free 1 800 462-8100. **From areas outside the U.S. and outside Canada,** call (518) 485-6800.

Fax-on-Demand Forms Ordering System - Most forms are available by fax 24 hours a day, 7 days a week. Call toll free from the U.S. and Canada 1 800 748-3676. You must use a Touch Tone phone to order by fax. A fax code is used to identify each form.

Internet Access - http://www.tax.state.ny.us
Access our website for forms, publications, and information.

Hotline for the Hearing and Speech Impaired - If you have access to a telecommunications device for the deaf (TDD), you can get answers to your New York State tax questions by calling toll free from the U.S. and Canada 1 800 634-2110. Assistance is available from 8:30 a.m. to 4:15 p.m. (eastern time), Monday through Friday. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

Persons with Disabilities - In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call the information numbers listed above.

Mailing Address - If you need to write, address your letter to:
NYS Tax Department, Taxpayer Assistance Bureau,
W A Harriman Campus, Albany NY 12227.

Worksheets for Form CT-3-S

Line 4a Worksheet

A. Enter federal interest deductions that would have been shown on federal Form 1120, line 18 had the New York S corporation not made the election under Subchapter S of Chapter One of the IRC and filed federal Form 1120 instead of federal Form 1120S . . . . ________

B. Enter amounts of interest deductions included at A that are required to be added back to federal taxable income in computing entire net income (other than the amount on Form CT-3-S, lines 3a and 4a); for example, interest deductions taken in computing an amount included on Form CT-3-S, line 14.

Enter the CT-3-S line number and amount 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-S, line 2).

Enter the CT-3-S line number and amount 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 deductions directly attributable to subsidiary capital included on Form CT-3-S, line 3a . . . . ________

G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-S-ATT, line 63a. . . ________

H. Enter any interest deduction directly attributable to 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-S-ATT, line 45, column C. . . . . ________

L. Enter the amount from Form CT-3-S-ATT, line 34, column C . . . . ________

M. Percentage *(divide line K by line L)*. . . . . ________ %

N. Amount of interest deductions indirectly attributable to subsidiary capital *(multiply line J by line M; enter this amount on line 4a of Form CT-3-S)*. . . . . ________

Line 4b Worksheet

A. Enter federal noninterest deductions that would have been included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) had the New York S corporation not made the election under Subchapter S of Chapter One of the IRC and filed federal Form 1120 instead of federal Form 1120S . . . . . . ________

B. Enter amounts of noninterest deductions included at 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-S, lines 3b and 4b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amount was subtracted in computing entire net income for prior taxable years that began on or after January 1, 1987.

Enter the CT-3-S line number and amount 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 entire net income (or amounts related to foreign source income not included on Federal Form 1120).

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-S, line 2

Enter the CT-3-S line number and amount below.

Line # ________ Amount ________
Line # ________ Amount ________
Line # ________ Amount ________ Total ________

E. Total New York noninterest deductions included in entire net income *(add lines C and D)*. . . . . ________

F. Enter noninterest deductions directly attributable to subsidiary capital from Form CT-3-S, line 3b . . . . ________

G. Enter noninterest deductions directly attributable to investment capital, from Form CT-3-S-ATT, line 63b . . . . ________

H. Enter noninterest deductions directly attributable to business capital . . . . ________

I. Subtotal *(add lines F, G, and H)* . . . . ________

J. Noninterest deductions subject to indirect attribution *(subtract line I from line E;)* . . . . ________

K. Enter gross income attributable to subsidiary capital.

— Gross income from subsidiary capital is that portion of total gross income consisting of dividends, interest, and gains (but not losses) from subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-S-ATT, line 51, and add back any losses used to compute the amount of capital gains from subsidiary capital on Form CT-3-S-ATT, line 50. . . . . ________

L. Enter total gross income.

For these purposes total gross income means gross income as defined in the IRC, section 61, increased by (a) those items described in section 61 that are included in the computation of entire net income by reason of Tax Law, § 208.9(c), relating to foreign source income and (b) interest on state and local bonds excluded from gross income under the IRC, section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. . . . . ________

M. Income percentage *(divide line K by line L)* . . . . ________ %

N. Enter amount from Form CT-3-S-ATT, line 45, column C . . . . ________

O. Enter amount from Form CT-3-S-ATT, line 34, column C . . . . ________

P. Asset percentage *(divide line N by line O)* . . . . ________ %

Q. 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 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 4b of Form CT-3-S.)* . . . . ________

Worksheets for Form CT-3-S-ATT

Line 64a Worksheet

A. Enter federal interest deductions that would have been included on federal Form 1120, line 18, had the New York S corporation not made the election under Subchapter S of Chapter One of the IRC and filed federal Form 1120 instead of federal Form 1120S . . . . . ______

B. Enter amounts of interest deductions included at A that are required to be added back to federal taxable income in computing entire net income (other than the amount on Form CT-3-S, lines 3a and 4a); for example, interest deductions taken in computing an amount included on Form CT-3-S, line 14.

Enter the CT-3-S line number and amount 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-S, line 2).

Enter the CT-3-S line number and amount 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 deductions directly attributable to subsidiary capital from Form CT-3-S, line 3a . . . . . ______

G. Enter any interest deductions directly attributable to investment capital from Form CT-3-S-ATT, line 63a. . . . . ______

H. Enter any interest deductions directly attributable to 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-S-ATT, line 55, column C. . . . . ______

L. Enter the amount from Form CT-3-S-ATT, line 34, column C . . . . . ______

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 64a)* . . . . . ______

Line 64b Worksheet

A. Enter federal noninterest deductions that would have been included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) had the New York S corporation not made the election under Subchapter S of Chapter One of the IRC and filed federal form 1120 instead of federal Form 1120S. . . . . . . ______

B. Enter amounts of noninterest deductions included at 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-S, lines 3b and 4b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amount was subtracted in computing entire net income for prior taxable years that began on or after January 1, 1987.

Enter the CT-3-S line number and amount 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 entire net income or amounts related to foreign source income not included on federal Form 1120).

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-S, line 2

Enter the CT-3-S line number and amount below.

Line # ______ Amount ______
Line # ______ Amount ______
Line # ______ Amount ______ Total ______

E. Total New York noninterest deductions included in entire net income *(add lines C and D)*. . . . . ______

F. Enter noninterest deductions directly attributable to subsidiary capital from Form CT-3-S, line 3b . . . . . ______

G. Enter noninterest deductions directly attributable to investment capital from Form CT-3-S-ATT, line 63b. . . . . ______

H. Enter noninterest deductions directly attributable to business capital . . . . . ______

I. Subtotal *(add lines F, G, and H)* . . . . . ______

J. Noninterest deductions subject to indirect attribution *(subtract line I from line E)*. . . . . ______

K. Enter gross income attributable to investment capital.

— Gross income from 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 at 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-S-ATT, line 62, and add back any dividends excluded on Form CT-3-S, line 10 and any losses used to compute the amount of capital gains from investment capital on Form CT-3-S-ATT, line 60. . . . . ______

L. Enter total gross income.

— For these purposes total gross income means gross income as defined in the IRC, section 61, increased by (a) those items described in section 61 that are included in the computation of entire net income by reason of Tax Law, § 208.9(c), (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under the IRC, section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. ______

M. Income percentage *(divide line K by line L)* . . . . . ______ %

N. Enter amount from Form CT-3-S-ATT, line 55, column C . . . ______

O. Enter amount from Form CT-3-S-ATT, line 34, column C . . . ______

P. Asset percentage *(divide line N by line O)* . . . . . ______ %

Q. Investment capital percentage (If line L is zero, the investment capital percentage is equal to the asset percentage. If line O is zero, the 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. Investment capital percentage *(divide line c by 3)* . . . . . ______ %

R. Amount of noninterest deductions indirectly attributable to 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 64b)* . . ______

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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.

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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.

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.

Return a Gift to Wildlife

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.