



Instructions for Form CT-32-S

New York Bank S Corporation Franchise Tax Return

Tax Law — Articles 32 and 22

Up-to-date information affecting your 2004 tax return

Visit the *Corporation Tax Up-to-Date Information* page on our Web site at www.nystax.gov for Tax Law changes or forms corrections that occurred after the forms and instructions were printed.

General information

To be eligible to elect federal subchapter S corporation status, the bank must not use the reserve method of accounting for bad debts, either because it is a large bank and is required under Internal Revenue Code (IRC) section 585 to use the direct charge-off method, or because the bank is a small bank and has elected to use the direct charge-off method. The bank must also meet all federal subchapter S corporation eligibility requirements (for example, it must be a domestic corporation and have 75 or fewer shareholders, all of whom are individuals, estates, or certain trusts).

Definitions

For the purpose of these instructions, *New York S corporation* is a corporation taxable under Article 32 of the Tax Law, for which a New York S election has been made by the filing of Form CT-6.

For the purpose of these instructions, *New York C corporation* is a corporation taxable under Article 32 of the Tax Law that is not a New York S corporation.

QSSS is a corporation that is a qualified subchapter S subsidiary under IRC section 1361(b)(3)(B).

Overview of tax computation

Article 32 provides that a New York bank S corporation must pay the higher of (1) the tax on entire net income (ENI) reduced by the Article 22 tax equivalent or (2) the fixed dollar minimum tax of \$250. However, as the Article 22 tax equivalent rate of 7.875% is greater than the Article 32 entire net income tax rate of 7.5%, the fixed dollar minimum tax will be the higher amount for this tax year.

A New York S corporation is not subject to the MTA surcharge.

To compute ENI on Form CT-32-S, you must begin by completing the following schedules on Form CT-32, *Banking Corporation Franchise Tax Return*:

- Schedule B, lines 22 through 59a (To complete Schedule B, you may also have to complete Schedules E, F, and G on Form CT-32.)
- Schedule H, lines 108 through 123, and lines 125 through 128

In addition, refer to Form CT-32-I, *Instructions for Form CT-32*, for information regarding the completion of header information, computation of interest and penalties, refund, and computation of ENI and the issuer's allocation percentage. Attach all applicable schedules to Form CT-32-S.

Filing requirements

Form CT-32-S must be filed by any federal S corporation taxable in New York State under Article 32 of the Tax Law, whose shareholders filed Form CT-6 electing to be a New York S corporation.

Each New York S corporation must **attach Form CT-34-SH**, *New York S Corporation Shareholders' Information Schedule*, to report items of income, loss, deduction, and other pertinent information for all individuals, estates, and trusts who were shareholders of the New York S corporation during any part of the tax year.

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 must file a single franchise tax return. The QSSS is ignored as a separate taxable entity, and the assets, liabilities, income, and deductions of the QSSS are 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. As a result, a foreign authorized QSSS included in the parent's return (disregarded as a separate taxable entity for franchise tax purposes) that is filing under Article 32 by reason of *Who must file*, item D, on page 1 of Form CT-32-I, must file Form CT-245, *Maintenance Fee and Activities Return for a Foreign Corporation Disclaiming Tax Liability*.

- Parent is a New York S corporation** — New York State follows the federal QSSS treatment. The parent and QSSS are taxed as a single New York S corporation and file Form CT-32-S.
- Nontaxpayer parent** — New York State follows 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 are taxed as a single New York S corporation and file Form CT-32-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-32.
- Exception: Excluded corporation** — QSSS treatment is not allowed unless both the parent and the QSSS are banking corporations. The corporations must file on a stand-alone basis if one is an Article 32 taxpayer but the other is an Article 9, 9-A, or 33 taxpayer, or is a corporation that would be subject to such taxes if taxable in New York State.

If New York State follows federal QSSS treatment, the QSSS is not considered a subsidiary of the parent corporation.

To notify the department that a QSSS is included in your return, mark an **X** in the first box under *Additional information* on the back of Form CT-32-S and attach Form CT-60-QSSS, *Qualified Subchapter S Subsidiary Information Schedule*.

When and where to file

File this return within 2½ months after the end of your reporting period. If you are reporting for the 2004 calendar year, file your return on or before March 15, 2005. Mail returns to: **New York State Corporation Tax, Processing Unit, PO Box 22038, Albany NY 12201-2038.**

If you cannot meet the filing deadline, you may request a six-month extension by filing Form CT-5.4 and paying any tax due on or before the original due date of the return. No additional extension of time beyond six months will be granted to file Form CT-32-S.

Penalty for failure to provide shareholder information — If you do not file Form CT-32-S on time, or you fail to provide the shareholder information required (all items of income, loss, deduction, and other pertinent information) you will have to pay a penalty. The penalty is \$50 per shareholder per month or fraction of a month, up to a total of \$250 per shareholder (section 685(h)(2)). You will also have to pay an additional 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. These penalties may be waived if it is shown that the failure is due to reasonable cause and not due to willful neglect.

Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return and pay tax. However, if, at a later date, you need to establish the date you filed your return or paid your tax, you cannot use the date recorded by a private delivery service **unless** you used a delivery service that has been designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance. (Currently designated delivery services are listed in Publication 55, *Designated Private Delivery Services*. See *Need help?* on the back page of these instructions for information on ordering forms and publications.) If you have used a designated private delivery service and need to establish the date you filed your return, contact that private delivery service for instructions on how to obtain written proof of the date your return was given to the delivery service for delivery. If you use **any** private delivery service, whether it is a designated service or not, address your return to: State Processing Center, 431C Broadway, Albany NY 12204-4836.

Federal changes and amended returns

A New York S corporation whose income, loss, or deductions are changed as a result of a final federal determination, or that files an amended return with the Internal Revenue Service (IRS), must file an amended return by using Form CT-32-S and marking an **X** in the *Amended return* box. Additionally, every shareholder of the electing New York S corporation must file an amended return on a designated New York State individual, estate, or trust tax return.

NAICS business code number

Enter the six-digit NAICS business activity code number from your federal return.

Line instructions

Line 1

Use Form CT-32, Schedule B, lines 22 through 59a, to compute the entire net income of the New York S corporation. However, the New York State net operating loss deduction (NOLD) that is allowed to New York C corporations on line 56 of Form CT-32 is not allowed to New York State S corporations. Therefore, you should skip line 56 of Form CT-32 when computing the ENI of the New York S corporation.

Enter on Form CT-32, Schedule B, line 22, the amount of federal taxable income that you would have reported on federal Form 1120, line 28, had you not made the election under Subchapter S of Chapter One of the IRC. 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 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.
- Charitable contribution deductions from federal Form 1120, line 19.

If a parent corporation and QSSS file a joint return on Form CT-32-S, compute the entire net income of the New York S corporation on Form CT-32, Schedule B, lines 22 through 59a, as if:

- the assets, liabilities, income, and deductions, property, payroll, receipts, capital, credits, and all other tax attributes and elements of economic activity of the QSSS are deemed to be those of the parent corporation;
- the stocks, bonds, and other securities issued by the QSSS, and any indebtedness from the QSSS, are not subsidiary capital of the parent corporation;
- transactions between the parent corporation and the QSSS, including the payment of interest and dividends, are not taken into account; and
- general executive officers of the QSSS are deemed to be general executive officers of the parent corporation.

Line 2

Use Form CT-32, Schedule H, lines 108 through 123, and lines 125 through 128, and enter the appropriate results below to compute the entire net income allocation percentage.

- A Payroll factor – enter the percentage from Form CT-32, Schedule H, Part I, line 110
- B Receipts factor – enter the percentage from Form CT-32, Schedule H, Part I, line 123
- C Deposits factor – enter the percentage from Form CT-32, Schedule H, Part I, line 128
- D Total of New York percentages (add lines A, B, and C)
- E Entire net income allocation percentage (divide line D by three or by the number of percentages; enter on Form CT-32-S, line 2)

Lines 3, 5, 6, 7, and 8

As the fixed dollar minimum tax is the highest tax for this tax year, lines 3, 5, 6, 7, and 8 require no entries and have therefore been shaded.

Line 12

The special additional mortgage recording tax credit may not reduce the franchise tax on line 10 to less than \$250. If the amount determined by subtracting the amount on line 11 from the amount on line 10 is less than \$250, enter **250** on the line.

Line 13b

If the net franchise tax on line 12 exceeds \$1,000, but does not exceed \$100,000, enter 25% of the net franchise tax shown on line 12. If the net franchise tax on line 12 exceeds \$100,000, enter 30% of the net franchise tax shown on line 12.

Lines 25 - 29, Composition of prepayments on line 15

If you need more space, write **see attached** in this section, and attach a separate sheet showing all relevant prepayment information. Transfer the total shown on the attached sheet to line 15.

We may waive the penalty if it is shown that the failure is due to reasonable cause and not due to willful neglect.

Additional information

Termination year — The New York S election can terminate on a day other than the first day of the tax 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-32-S for the S short year and Form CT-32 for the C short year. The due date of the S short year return is the same as that of the New York C short year return.

If the federal and New York S elections terminate at the same time, determine entire net income assigned to Form CT-32-S for the S short year and to Form CT-32 for the C short year using the same method of accounting as used for federal income tax purposes (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 the 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.

Mark an **X** in the *Normal accounting rules* box or the *Daily pro rata allocation* box on the back of Form CT-32-S 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 cannot be less than the fixed dollar minimum tax determined as if the corporation were a C corporation for the entire year.

Privacy notification

The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 171, 171-a, 287, 308, 429, 475, 505, 697, 1096, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i).


This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose.


Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law.


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

This information is maintained by the Director of Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.

Need help?

 **Internet access:** www.nystax.gov
(for information, forms, and publications)

 **Fax-on-demand forms:** 1 800 748-3676

 **Business Tax Information Center:** 1 800 972-1233
From areas outside the U.S. and outside Canada: (518) 485-6800

Hearing and speech impaired (telecommunications device for the deaf (TDD) callers only): 1 800 634-2110



Change in Mailing Address and Assistance Information for Prior Year Corporation Tax Forms

Beginning on January 2, 2015, we changed processing centers.

Any corporation tax form for tax years 2014 or before that instructs you to mail the form to: NYS Tax Department – IT-2659, PO Box 397, Albany NY 12201-0397, must be mailed to this address instead (see *Private delivery services* below):

**NYS TAX DEPARTMENT
PO BOX 15179
ALBANY NY 12212-5179**

Any corporation tax filing extension request form for tax years 2014 or before that instructs you to mail the form to: NYS Tax Corporation Tax, Processing Unit, PO Box 22094, Albany NY 12201-2094, or NYS Tax Corporation Tax, Processing Unit, PO Box 22102, Albany NY 12201-2102, must be mailed to this address instead (see *Private delivery services* below):

**NYS CORPORATION TAX
PO BOX 15180
ALBANY NY 12212-5180**

Any C corporation, banking corporation, insurance corporation, Article 9 corporation, and Article 13 corporation tax form for tax years 2014 or before that instructs you to mail the form to: NYS Tax Corporation Tax, Processing Unit, PO Box 1909, Albany NY 12201-1909; NYS Tax Corporation Tax, Processing Unit, PO Box 22038, Albany NY 12201-2038; NYS Tax Corporation Tax, Processing Unit, PO Box 22095, Albany NY 12201-2095; NYS Tax Corporation Tax, Processing Unit, PO Box 22093, Albany NY 12201-2093; or NYS Tax Corporation Tax, Processing Unit, PO Box 22101, Albany NY 12201-2101, must be mailed to this address instead (see *Private delivery services* below):

**NYS TAX DEPARTMENT
PO BOX 15181
ALBANY NY 12212-5181**

Any S corporation tax form for tax years 2014 or before that instructs you to mail the form to: NYS Tax Corporation Tax, Processing Unit, PO Box 22092, Albany NY 12201-2092, or NYS Tax Corporation Tax, Processing Unit, PO Box 22096, Albany NY 12201-2096, must be mailed to this address instead (see *Private delivery services* below):

**NYS TAX DEPARTMENT
PO BOX 15182
ALBANY NY 12212-5182**

Note: Forms mailed to the old addresses may be delayed in processing.

Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to mail in your form and tax payment. However, if, at a later date, you need to establish the date you filed or paid your tax, you cannot use the date recorded by a private delivery service **unless** you used a delivery service that has been designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance. (Currently designated delivery services are listed in Publication 55, *Designated Private Delivery Services*. See *Need help?* below for information on obtaining forms and publications.) If you have used a designated private delivery service and need to establish the date you filed your form, contact that private delivery service for instructions on how to obtain written proof of the date your form was given to the delivery service for delivery.

For all the forms referenced above, if you are using a private delivery service, send to:

NYS TAX DEPARTMENT
CORP TAX PROCESSING
90 COHOES AVE
GREEN ISLAND NY 12183

Need help?



Visit our website at www.tax.ny.gov

- get information and manage your taxes online
- check for new online services and features



Telephone assistance

Corporation Tax Information Center: (518) 485-6027

To order forms and publications: (518) 457-5431

Text Telephone (TTY) Hotline (for persons with hearing and speech disabilities using a TTY): (518) 485-5082



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, call the information center.