



Instructions for Form CT-399

Depreciation Adjustment Schedule

CT-399-I

Important reminder to file a complete return: You must complete all required schedules and forms that make up your return, and include **all pages** of those forms and schedules when you file. Returns that are missing required pages or that have pages with missing entries are considered incomplete and cannot be processed, and may subject taxpayers to penalty and interest.

General information

General business corporations, banking corporations, and life insurance corporations are subject to depreciation modifications required under Articles 9-A, 32, and 33 when determining New York State taxable income.

The modifications apply to the federal accelerated cost recovery system/modified accelerated cost recovery system (ACRS/MACRS) deduction for property placed in service either **in or outside** New York State after 1980 in tax years beginning before 1985.

The modifications may also apply to ACRS/MACRS property placed in service **outside** New York State in tax years beginning in 1985 through 1993 if you made the election in 1999 to continue this modification.

The modifications also apply to qualified property placed in service on or after June 1, 2003, for which the special depreciation deduction of 30%/50% was allowed when computing federal taxable income (FTI) in tax years beginning after December 31, 2002.

The modifications **do not** apply to the following:

- Qualified gulf opportunity zone property as described in Internal Revenue Code (IRC) section 1400N(d)(2)
- Qualified resurgence zone property described in Tax Law section 208.9(q)
- Qualified New York liberty zone property described in IRC section 1400L(b)(2)
- Property acquired after June 18, 1984, that is subject to the limitations under IRC section 280-F (listed property)
- Property placed in service before January 1, 1989, if the property was placed in service by an aviation corporation
- ACRS/MACRS property placed in service **in** New York State in tax years beginning on or after January 1, 1985
- ACRS/MACRS property placed in service **outside** New York State in tax years beginning on or after January 1, 1994
- Property placed in service by a qualified public utility, a qualified power producer, or a qualified pipeline. For a definition of qualified public utility, qualified power producer, and qualified pipeline, see page 6 of TSB-M-00(04)C, *Utility and TTD corporations now subject to tax under Article 9-A or 32 of the Tax Law*.

As applicable, the depreciation modifications disallow the IRC section 168 ACRS/MACRS depreciation deduction and allow a New York State depreciation deduction using any method permitted under IRC section 167. You may continue claiming the New York State depreciation deduction until the property is fully depreciated for New York State purposes.

The depreciation modifications also disallow the 30%/50% federal special depreciation deduction under IRC section 168(k) (excluding depreciation on qualified resurgence zone property and qualified New York liberty zone property) and allow a New York State depreciation deduction under IRC section 167, as this section would have applied to the property if it had been acquired on September 10, 2001.

For further information regarding the depreciation modifications, see TSB-M-82(16)C, *1982 Legislation Uncoupling the Effects of the Federal Accelerated Cost Recovery System (ACRS) from the*

Computation of New York State Taxable Income, TSB-M-85(12)C, *1985 Legislation Law Changes Pertaining to ACRS Property and New York State Depreciation Modifications*, TSB-M-89(10)C, *Taxability of Aviation Corporations under Article 9-A*, TSB-M-94(2)C, *Important Notice Summary of 1994 Corporation Tax Law Changes*, TSB-M-99(1)C, *New York Depreciation Deduction for Property Placed in Service Outside New York State in Tax Years 1985-1993*, and TSB-M-03(5)C, *Summary of Corporation Tax Legislative Changes Enacted in 2003*.

Who must use this form

Use this form to compute the New York State depreciation modifications if the corporation:

- claimed a federal ACRS/MACRS deduction for property placed in service either **in or outside** New York State after 1980 in tax years beginning before 1985; or
- claimed a federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax years beginning in 1985 through 1993, and the corporation chose to continue using the IRC section 167 depreciation deduction for such property; or
- claimed the 30%/50% federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in Tax Law section 208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; or
- disposed this year of either ACRS/MACRS property, or qualified property for which you claimed the 30%/50% federal special depreciation, and the New York State depreciation modifications applied to the property in any prior years.

Specific instructions

Part 1 — Computation of the New York State depreciation modifications when computing entire net income (ENI)

Section A — ACRS/MACRS property

Use Part 1, Section A, if you claimed a federal ACRS/MACRS depreciation deduction for property placed in service:

- either **in or outside** New York State after 1980 in tax years beginning before 1985; **and**
- **outside** New York State in tax years beginning in 1985 through 1993.

Carry forward from your 2005 Form CT-399, Part 1, any depreciable properties that require or are entitled to a New York State depreciation modification this year.

Column C — Enter the cost or other basis from federal Form 4562. Property placed in service in 1981 must be shown at the original cost and should not be reduced by any depreciation claimed in 1981.

Column D — Enter the total amount of federal ACRS/MACRS deduction taken in prior years for each item listed.

Column E — Enter the federal ACRS/MACRS deductions taken this year for each item listed.

Columns F and G — Indicate the depreciation method selected for the computation of the New York State allowable depreciation deduction. Any consistent depreciation method that would have been allowed under IRC section 167, as this section would have applied to property placed in service on December 31, 1980, without regard to section 168, is acceptable, including straight line, declining balance, and sum of years digits.

Column H — Enter the amount of New York State depreciation allowed in prior years. Exception for air freight forwarders: For each

item listed in column A, compute an amount that represents the New York State depreciation you would have shown if you had been taxed under Article 9-A since acquiring the property.

Column I — Enter the depreciation computed by the method indicated in column F. The total of this column will be the depreciation allowable as a deduction for New York State.

Section B — 30%/50% federal special depreciation property

Use Section B if you claimed the 30%/50% federal special depreciation deduction for qualified property placed in service on or after June 1, 2003, in tax years beginning after 2002.

Column C — Enter the cost or other basis from federal Form 4562.

Column D — Enter the total amount of the federal depreciation deduction taken under IRC sections 167 and 168 in prior years for each item listed.

Column E — Enter the federal depreciation deduction taken under IRC sections 167 and 168 this year.

Columns F and G — Indicate the depreciation method selected for the computation of the New York State allowable depreciation deduction. Any consistent depreciation method that would have been allowed under IRC section 167, as this section would have applied to the property if it had been acquired on September 10, 2001, without regard to section 168(k), is acceptable.

Column H — See instructions for Part 1, Section A, column H.

Line 3 — If you **have not disposed** of any ACRS/MACRS property placed in service in tax years beginning before 1994, and you **have not disposed** of qualified property for which you claimed the 30%/50% federal special depreciation (in a tax year beginning after December 31, 2002, for property placed in service on or after June 1, 2003), skip Parts 2 and 3 and enter the totals of columns E and I on your corporation franchise tax return:

If you file Form:	Enter the amount from line 3, column E, on:	and	Enter the amount from line 3, column I, on:
CT-3 or CT-3-A.....	line 7.....		line 14
CT-4.....	line 5.....		line 8
CT-32.....	line 28.....		line 39
CT-32-A.....	line 30.....		line 39
CT-33.....	line 70.....		line 78
CT-33-A.....	line 73.....		line 82

If you have disposed of any property listed on Form CT-399 in a prior year, you must complete Parts 2 and 3.

Part 2 — Disposition adjustments

If you sold or disposed this year of either ACRS/MACRS property, or qualified property for which you claimed the 30%/50% federal special depreciation (excluding qualified resurgence zone property and qualified New York liberty zone property), and the New York State depreciation modifications applied to the property in any prior years, you must make the applicable depreciation addition or subtraction catch-up modification to bring the New York State depreciation deduction on the property to the federal amount.

Note: For ACRS/MACRS property placed in service **outside** New York State in tax years beginning in 1985 through 1993, the New York State depreciation modifications usually will have applied for some of the depreciation years of the property, whether or not you have elected to switch to IRC section 168 depreciation for the property.

Example:

A corporation had placed ACRS/MACRS property in service outside New York State during the calendar year 1993. The corporation filed Form CT-399 for the calendar years 1993 through 1998 and

computed the separate New York State depreciation deduction under IRC section 167 on Form CT-399.

The corporation filed Form CT-399 for the calendar year 1999 and chose the option to claim the federal depreciation deduction under IRC section 168 for property placed in service outside New York State during calendar year 1993. On June 1, 2006, the corporation sold the property. When computing the disposition adjustment, the corporation would compute the depreciation deduction in column D as follows:

- for calendar years 1993 through 1998, the depreciation deduction computed under IRC section 167; and
- for calendar years 1999 through 2006, the depreciation deduction computed under IRC section 168.

Column C — Enter for each item the total amount of ACRS/MACRS deductions, including the 30%/50% federal special depreciation deduction, used in the computation of FTI for prior and current years.

Column D — Enter for each item the total amount of New York State depreciation deductions used in the computation of prior and current year ENI. There was no New York State depreciation modification applicable to recovery property for the tax year beginning in 1981. The New York State depreciation deduction conforms with the federal ACRS deduction in that year. Therefore, include the 1981 federal ACRS deduction in this column.

Column E — If the total federal ACRS/MACRS deduction, including 30%/50% federal special depreciation deduction, is more than the total New York State depreciation, subtract column D from column C and enter the excess in this column.

Column F — If the total New York State depreciation is more than the federal ACRS/MACRS depreciation, including the 30%/50% federal special depreciation deduction, subtract column C from column D and enter the excess in this column.

Part 4 — Minimum taxable income base depreciation adjustments – Article 9-A only

Complete Part 4 **only** if you completed Part 1, Section A. In Part 4, list only the properties entered in Part 1, Section A, that were placed in service after 1986. **Do not** include qualified property for which the 30%/50% federal special depreciation deduction was claimed in Section B.

Line 14 — If you were not required to file federal Form 4626, compute the amount that would have been reported on line 2a of that form.

If you filed federal Form 4626, attach a copy.

Column C — Enter the cost or other basis of the property from federal Form 4562.

Column D — Enter the federal depreciation deductions taken this year for each item of property.

Column E — Enter the amount for each item of property following the rules in IRC section 56(a)(1). Use the instructions for federal Form 4626, line 2a, to assist you in this computation.

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