New York State Department of Taxation and Finance

2007

Instructions for Form IT-204

Partnership return and attachments

IT-204-I

What's new for 2007?

Changes to filing requirements

- **Partnership return revised**

  Form IT-204, *Partnership Return,* has been revised requiring partnerships to enter on Form IT-204 substantially the same information that is being reported on federal Form 1065, *U.S. Return of Partnership Income*, including the information reported on federal Schedules A, B, K, L, M-1, and M-2. Form IT-204 continues to require a partnership to report its New York Article 22 modifications and credit information. The revised Form IT-204 eliminates the need for a partnership to attach a copy of its federal partnership return to its New York State partnership return.

- **New York State equivalents to federal Schedule K-1**

  Two new forms are the New York equivalents of federal Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.*

  — Form IT-204-IP, *New York Partner's Schedule K-1*, is completed for each partner who is an individual, estate or trust, or partnership required to file under Article 22 of the Tax Law (personal income tax).

  — Form IT-204-CP, *New York Corporate Partner's Schedule K-1,* is completed for each corporate partner that is taxable under Article 9-A of the Tax Law (business corporation franchise tax).

  These forms give each partner its distributive share of income, deductions, New York modifications, credits, and other information the partner needs to complete the partner's New York State personal income tax or corporation franchise tax return. The partnership must attach these new forms to Form IT-204. (See *2007 attachment options* below.) **Partnerships no longer need to attach copies of federal Schedule K-1 to Form IT-204.**

- **2007 attachment options**

  For tax year 2007, partnerships have the option to complete and attach to Form IT-204, either:

  — Form IT-204-IP, *New York Partner's Schedule K-1*, for each Article 22 partner; and Form IT-204-CP, *New York Corporate Partner's Schedule K-1*, for each Article 9-A partner; **or**

  — Form IT-204-ATT, *Partners' Identifying Information*

  In either case, the partnership should complete and provide a copy of Form IT-204-IP and Form IT-204-CP to each Article 22 and Article 9-A partner. The partners will need this information when completing their individual and franchise tax returns.

  Partnerships with no New York source income who are filing specifically because they have Article 22 resident partners, see *Partnerships with no New York source income that have resident partners* on page 2.

  If you choose to complete and attach Form IT-204-ATT to your 2007 partnership return, see *Partnership's Instructions for Form IT-204-ATT* on page 25 of these instructions.

- **New form for partnerships with corporate partners**

  New Form IT-204.1, *New York Corporate Partners' Schedule K,* is for partnerships that have any corporate partners that are taxable under Article 9-A. The form contains partnership items reported to the partnership's corporate partners on Form IT-204-CP, *New York Corporate Partner's Schedule K-1*.

- **New regulations for partnerships with corporate partners**

  For more information on recently adopted regulations for computing tax under Article 9-A for corporations that are partners in partnerships, or that are members of LLCs that are treated as partnerships for federal income tax purposes, see TSB-M-07(2)C, (1)I, *Amendments to the Business Corporation Franchise Tax Regulations Relating to the Taxation of Corporate Partners.*

New credits

- **Rehabilitation of historic properties credit**

  A new credit for rehabilitation of historic properties is available to a taxpayer who is allowed a federal credit with respect to a certified historic structure, as defined under Internal Revenue Code (IRC) section 47(c)(3), located in New York State. The credit is equal to 30% of the federal credit allowed for the same tax year. For additional information, see Form IT-238, *Claim for Rehabilitation of Historic Properties Credit*, and its instructions.

- **Empire State commercial production credit**

  The Empire State commercial production credit is a new credit that is available to a qualified commercial production company, or a sole proprietor of a qualified commercial production company, for qualified production costs paid or incurred. For additional information, see Form IT-246, *Claim for Empire State Commercial Production Credit.*

Extension of tax shelter reporting requirements

The expiration date of the reporting requirements and related administrative provisions concerning the disclosure of certain transactions and related information regarding tax shelters, including those related to New York reportable transactions, has been extended to July 1, 2009. For additional information, see TSB-M-07(6)I, *Extension of Tax Shelter Provisions.*

General information

Purpose of Form IT-204

Use Form IT-204 to report income, deductions, gains, losses, and credits from the operation of a partnership for calendar year 2007, or other tax year beginning in 2007. All items reported on Form IT-204 or on attachments to it are subject to verification, audit, and revision by the New York State Tax Department.

Who must file

Partnerships are not subject to personal income tax. But every partnership having either (1) at least one partner who is an individual, estate, or trust that is a resident of New York State, or (2) any income, gain, loss, or deduction from New York State sources, must file a return on Form IT-204, regardless of the amount of its income. Otherwise, New York State law does not currently require a partnership to file a return solely because it has a partner that is either a partnership or corporation formed under the laws of New York State, even though the partner may be responsible for filing its own return with New York State.

A partnership is not considered to be engaged in a business, trade, profession, or occupation, and is therefore not required to file a return for any tax year in which it neither receives income nor incurs any expenses treated as deductions or credits for federal income tax purposes.

An electing large partnership that completes federal Form 1065-B, *U.S. Return of Income for Electing Large Partnerships*, must still use Form IT-204. New York does not conform to the electing large partnership provisions.

Tiered partnerships

If your partnership is a partner in another partnership (hereinafter referred to as the *lower tier partnership*), the source and character of the distributive share of each item of your partnership to any partner of your partnership that is attributable to the lower tier partnership retains the source and character determined at the level of the lower tier partnership. Such source and character are not changed by reason of the fact that any such item flows through your partnership to such partner.

Partnerships with no New York source income that have resident partners

If you have no New York source income and are filing a return specifically because you have an Article 22 New York resident partner, complete the entire Form IT-204 with the exception of Section 10. If you have any corporate partners taxable under Article 9-A, you must also complete Form IT-204.1. Submit a Form IT-204-IP for each Article 22 resident partner (you do not have to submit Form IT-204-IP for nonresident partners) and a Form IT-204-CP for each corporate partner that is taxable under Article 9-A. (See *2007 attachment options* on page 1.)

Attach a statement to your return indicating the following:

— The partnership has no income derived from New York sources.

— All other Article 22 partners in the partnership are nonresidents of New York State.

— There are a total of ___________ nonresident partners.

— If at any time in the course of an audit it is deemed necessary to have copies of Forms IT-204-IP for nonresident partners, we will supply this information.

Income from New York State sources includes:

1. income attributable to the ownership of any interest in real property or tangible personal property located in New York State, and intangible personal property to the extent that it is used in a business, trade, profession, or occupation carried on in New York State; **and**
2. income attributable to a business, trade, profession, or occupation carried on in New York State; **and**
3. any gain from the sale, transfer, or other disposition of shares of stock in a cooperative housing corporation in connection with the grant or transfer of a proprietary leasehold, when the real property comprising the units of such cooperative housing corporation is located in New York State, whether or not connected with a business.

A partnership carries on a business, trade, profession, or occupation within New York State if (1) it maintains or operates an office, shop, store, warehouse, factory, agency, or other place in New York State where its affairs are systematically and regularly carried on, or (2) it performs a series of acts or transactions in New York State with regularity and continuity for livelihood or profit, as distinguished from isolated or incidental transactions.

Other forms you may have to file

Form IT-204-LL, ***Limited Liability Company/Limited Liability Partnership Filing Fee Payment Form* —** New York State allows for the formation of limited liability companies and limited liability partnerships in New York State (domestic LLCs and LLPs). In addition, New York State recognizes LLCs and LLPs formed under the laws of other states and foreign countries (foreign LLCs and LLPs). Any domestic or foreign LLC or LLP that is required to file a New York State partnership return must also complete and file Form IT-204-LL. For more information regarding LLCs and LLPs, see Form IT-204-LL-I.

Effective August 8, 1995, certain investment companies that are established and regulated under Article 12 of the New York State Banking Law, are able to organize themselves as limited liability investment companies (LLICs). The LLIC option is available only to Article 12 investment companies that serve as holding companies for foreign banking operations. Also, effective July 21, 1998, certain trust companies that are established and regulated under section 102-A of the New York State Banking Law, are able to organize themselves as limited liability trust companies (LLTCs). The LLTC option is available only to Article 3 trust companies that do not receive deposits from the general public and are exempt from obtaining insurance of deposits and share accounts. Any LLIC or LLTC that is required to file a New York State partnership return must also complete and file Form IT-204-LL. For more information regarding LLICs and LLTCs, see Form IT-204-LL-I.

Forms IT-2658, ***Report of Estimated Tax for Nonresident Individual Partners and Shareholders*** **and CT-2658,** ***Report of Estimated Tax for Corporate Partners* —** Tax Law section 658 requires the following entities that have income derived from New York State sources to make estimated tax payments on behalf of partners who are nonresident individuals or C corporations (any corporation other than a federal S corporation):

- partnerships (other than publicly traded partnerships as defined in Internal Revenue Code (IRC) section 7704)
- LLCs or LLPs that are treated as partnerships for federal income tax purposes

For more information, see the instructions for Form IT-2658 and Form CT-2658.

In the case of an underpayment of estimated tax by the partnership, a penalty as determined under Tax Law section 685(c) will be added to the estimated tax required to be paid. For more information, see the instructions for Form IT-2659, *Estimated Tax Penalties for Partnerships and New York S Corporations.*

Form Y-204, ***Yonkers Nonresident Partner Allocation***
Every partnership doing business in Yonkers and having a partner who is a nonresident of Yonkers must complete Form Y-204, and show the net earnings from self-employment.

New York City unincorporated business tax

These instructions apply to the New York State partnership return only. They do not apply to the New York City unincorporated business tax, which is administered by the New York City Department of Finance, 59 Maiden Lane, 18th Floor, New York NY 10038. For more information, see the instructions for Form NYC-204, *Unincorporated Business Tax Return for Partnerships.*

Form CT-33-D, *Tax on Premiums Paid or Payable to an Unauthorized Insurer* — If you have purchased or renewed a taxable insurance contract from an insurer not authorized to transact business in New York State, you must complete Form CT-33-D. You must file this return within 60 days after the end of the calendar quarter in which the contract was purchased or renewed.

If you purchase or renew a taxable insurance contract from an insurer not authorized to transact business in New York State under a certificate of authority from the Superintendent of Insurance, you will be liable for a tax of 3.6% of the premium. (See Form CT-33-D and TSB-M-90(9)C, *1990 Legislation, Direct Writings Tax* for more information.)

When to file

Returns for calendar year 2007 are due April 15, 2008. Fiscal-year returns are due the 15th day of the fourth month after the end of the tax year.

If a partnership is terminated and completely liquidated during its normal tax year, resulting in an accounting period of less than 12 months for federal income tax purposes, the return is due the 15th day of the fourth month after the end of the accounting period.

Use the same accounting period and method for Form IT-204 as you use for federal Form 1065 or 1065-B. If you change your partnership's tax year or accounting method for your federal return, do the same on your Form IT-204*.*

Extension of time to file

If you need an extension of time to file, you may request an automatic six-month extension by the due date of Form IT-204. For an online application for an automatic extension of time to file Form IT-204, visit our Web site at *www.nystax.gov* and click on *Online Tax Center.* If you prefer, you may file Form IT-370-PF, *Application for Automatic Six-Month Extension of Time to File for Partnerships and Fiduciaries.* Federal Form 7004 may be filed in place of Form IT-370-PF, but federal Forms 2758 and 4868 are not acceptable.

Amended return or federal change

You must file an amended New York State partnership return if you file an amended federal partnership return, or if a federal audit of the partnership return changes any item of income, deduction, or tax preference item previously reported to the Internal Revenue Service (IRS). You must file the amended New York State partnership return within 90 days of the date the federal amended partnership return is filed or, in the case of a federal audit, within 90 days after the final determination of the change. Attach a copy of the federal report of examination changes and a signed statement indicating you concede the federal audit changes. If you do not concede the federal audit changes, attach a signed statement explaining why.

You must also file an amended Form IT-204, IT-204-IP or IT-204-CP as applicable (see *2007 attachments options* on page 1) and IT-204.1 to correct any error on the original New York State partnership return, whether or not an amended federal partnership return was filed for that year. Be sure to provide any amended copies of Form(s) IT-204-IP and IT-204-CP to all applicable partners.

To amend your original Form IT-204, get a blank Form IT-204 for the tax year to be amended and mark the *Amended return* box at item C. Complete the entire Form IT-204, and Form IT-204.1 if applicable, entering the corrected information, and attach an explanation of the changes. If you are amending any credit claim form or other form, or are using any credit claim form or other form for the first time, write ***Amended*** across the top of that form and attach it to your amended return. Any other credit claim form or other form that you submitted with your original return must also be attached to your amended return.

If a Form IT-204-IP or IT-204-CP contained an error, but there are no changes to your original filed Form IT-204, submit a completed Form IT-204 with the *Amended return* box marked at item C and attach to the return any Form IT-204-IP or IT-204-CP that you are amending. Only submit the Form(s) IT-204-IP or IT-204-CP that are being amended, and mark the *Amended K-1* box at the top of each form. (See *2007 attachment options* on page 1.)

Penalties

A penalty is imposed against the partnership if the partnership is required to file a partnership return and (1) fails to file the return on time, including extensions; (2) files a return that fails to show all the information required; or (3) fails to file an amended partnership return within 90 days of the date the final federal determination or disallowance is issued or when the federal amended partnership return is filed, unless the failure is due to reasonable cause and not due to willful neglect.

The penalty for each month or fraction of a month (for a maximum of five months) that the failure continues is $50 multiplied by the total number of persons who were partners in the partnership during any part of the partnership's tax year for which the return is due. In counting the number of partners for purposes of this penalty, include only individuals, estates, and trusts subject to tax under Article 22. Do not include corporations or partnerships.

Where to file

Mail your return to:

STATE PROCESSING CENTER
PO BOX 61000
ALBANY NY 12261-0001

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 page 26 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, 101 Enterprise Drive, Kingston NY 12401.

How to fill in the forms

Please follow these guidelines.

Use black ink only (no red or other color ink or pencils) to print or type all entries.

Do not write in dollar signs, commas, or decimal points when making entries. All necessary punctuation has been printed on the form and amounts are rounded to dollars only.

Do not make any entry in areas that do not apply to you unless these instructions specifically direct you to do so; treat blank lines as zeros.

Mark an ***X*** to fill in boxes as appropriate. Do not use a check mark. Keep your Xs and numerals inside the boxes.

Write your numbers and ***X*** marks like this:

1 2 3 4 5 6 7 8 9 0 X

Make your money amount entries in the boxes allowing one number for each box.

For example, if your entry for line 1 is $23,750,500 your money field entry on line 1 should look like this:

... 1. , 2 3 , 7 5 0 , 5 0 0

If you need to show a loss, place a minus sign (-) in the box **immediately to the left** of the loss amount. Do not use [ ] brackets or parentheses. For example, a business loss of $1,024 on line 6 should look like this:

... 6. , , – 1 , 0 2 4

Specific instructions

Partnerships with New York source income must complete the entire Form IT-204. In addition, Form IT-204-IP must be completed for each individual partner. If the partnership has any Article 9-A corporate partners, it must complete a Form IT-204-CP for each Article 9-A partner, and one Form IT-204.1.

Partnerships with no New York source income that have resident partners must complete Form IT-204, with the exception of Section 10. For more information, see the instructions under *Partnerships with no New York source income that have resident partners* on page 2.

All information on Form IT-204 should be for the calendar year January 1 through December 31, 2007, or for a tax year of the partnership that began in 2007. If filing for a tax year other than a calendar year, enter the month and day the tax year began, and the month, day, and year that it ended at the top of the front page.

Name and address box

Enter in the spaces at the top of the return the exact legal name, trade name (if any), and address of the partnership. The legal name is the name in which the business owns property or acquires debt. Enter the trade name or d/b/a (doing business as) name if different from the legal name. Also enter the business's employer identification number (EIN), principal business activity, principal product or service, and date the business was started.

NAICS business code number

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

Special condition for filing your 2007 tax return

If the partnership qualifies for the special condition below, enter code ***E3*** in the entry boxes on the form.

E3 Out of the country

Enter this code for partnerships that keep their records and books of account outside the United States and Puerto Rico and qualify for an automatic two-month extension of time to file their federal returns. For more information, see *When to file* on page 3.

Section 1 — Partnership information

Items A through O

Complete items A through O. For item G, if you have any other New York tax accounts, mark an ***X*** in the appropriate boxes on lines 1 and 2 and enter the identification number(s).

Third-party designee

If you want to authorize another person (third-party designee) to discuss this tax return with the New York State Tax Department, mark an ***X*** in the *Yes* box in the *Third-party designee* area of your return. Also enter the designee's name, phone number, and any five-digit number the designee chooses as his or her personal identification number (PIN). If you want to authorize the paid preparer who signed your return to discuss the return with the Tax Department, enter ***Preparer and preparer's phone number*** in the space for the designee's name. You do not have to provide the other information requested.

If you mark the *Yes* box, you are authorizing the Tax Department to discuss with the designee any questions that arise during the processing of your return. You are also authorizing the designee to:

- give the Tax Department any information that is missing from your return;
- call the Tax Department for information about the processing of your return; and
- respond to certain Tax Department notices that you share with the designee about math errors and return preparation. The notices will not be sent to the designee.

You are not authorizing the designee to bind you to anything, or otherwise represent you before the Tax Department. If you want the designee to perform those services for you, you must file Form POA-1, *Power of Attorney,* making that designation with the Tax Department. Copies of statutory tax notices or documents (such as a *Notice of Deficiency)* will only be sent to your designee if you file Form POA-1.

The authorization will end automatically on the due date (without regard to extensions) for filing your 2008 tax return. For most taxpayers, the due date will be April 15, 2009.

Signatures

A **general partner** must sign Form IT-204.

Anyone you pay to prepare the partnership return must also sign it and fill in the other blanks in the paid preparer's area of the return. If someone prepares the return and does not charge you, the paid preparer's area should not be filled in.

Enter your daytime telephone number including the area code. This entry will enable the Tax Department to correct minor errors or omissions by calling you rather than writing or sending back your return.

Note to paid preparers — When signing a taxpayer's New York State income tax return, you must enter the same identification number that you used on the taxpayer's federal return, either your social security number or your federal preparer tax identification number (PTIN). If you did not prepare a federal income tax return for the taxpayer, you must use your PTIN if you have one; otherwise, use your social security number.

Requirements for paid preparers — A penalty of $50 per return will be assessed a paid preparer for failure to comply with any of the following requirements:

— Sign the tax return.

— Include the identifying number of the paid preparer (if an individual paid preparer is an employee of an employer or a partner in a partnership that is a paid preparer, the return must also include the identifying number of the employer or partnership).

— Furnish a completed copy of the tax return to the taxpayer not later than the time the return is presented for the taxpayer's signature.

— Keep a completed copy of the return prepared for each taxpayer, or keep the name and identification number of each taxpayer for whom a return was prepared on a list, and make the copy or list available for inspection upon request.

A paid preparer must keep a completed copy of the return or information on the list for three years after the due date of the return (without regard to extensions), or three years after the date the return was presented to the taxpayer for signature, whichever is later.

A paid preparer may be subject to a maximum penalty of $25,000 for failure to comply with any of the requirements listed above.

Section 2 — Federal ordinary business income (loss)

Transfer the amounts reported on federal Form 1065, page 1, to the corresponding lines on Form IT-204, Section 2.

Section 3 — Cost of goods sold

Transfer the amounts reported on federal Form 1065, Schedule A, to the corresponding lines on Form IT-204, Section 3.

Section 4 — Balance sheets per books

Transfer the amounts reported on federal Form 1065, Schedule L, to the corresponding lines on Form IT-204, Section 4.

Section 5 — Reconciliation of income (loss) per books with income (loss) per return

Transfer the amounts reported on federal Form 1065, Schedule M-1, to the corresponding lines on Form IT-204, Section 5. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on that specific line.

If the partnership filed federal Schedule M-3 with federal Form 1065, mark an ***X*** in the box and attach a copy of the federal Schedule M-3 to Form IT-204. Do not complete Section 5.

Section 6 — Analysis of partners' capital accounts

Transfer the amounts reported on federal Form 1065, Schedule M-2, to the corresponding lines on Form IT-204, Section 6. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on that specific line.

Section 7 — Partners' share of income, deductions, etc.

Transfer the amounts reported on federal Form 1065, Schedule K to the corresponding lines on Form IT-204, Section 7. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on that specific line.

Line 97 — Enter the amount from federal Form 1065, Schedule K, line 11.

Line 99 — Enter the total amount from federal Form 1065, Schedule K, lines 13a through 13d.

Line 100 — Enter the total amount from federal Form 1065, Schedule K, lines 17a through 17f.

Line 102 — Enter the total amount from federal Form 1065, Schedule K, lines 18a through 18c.

Line 105 — Enter the total amount from federal Form 1065, Schedule K, lines 20a through 20c.

Section 8 — New York modifications

For lines 107 and 109, enter the partnership's addition and subtraction modifications in the appropriate columns. In column A, enter the total of each addition or subtraction modification. In column B, enter the portion of each addition or subtraction modification that relates to income, gain, loss, or deduction derived from or connected with New York State sources. Enter the corresponding number (from the lists that follow) of each addition (line 107) next to *EA*; enter the corresponding number of each subtraction (line 109) next to *ES*. If there are more than six additions or subtractions, attach a separate schedule.

Use lines 111 and 113 for those modifications that apply to the partners' federal itemized deductions. Be sure to enter the corresponding letter of the addition to or subtraction from itemized deductions. See instructions for these lines beginning on page 10.

New York State additions

▶ **EA-1 Personal income taxes and unincorporated business taxes deducted in determining partnership ordinary income —** No personal income taxes may be deducted by partners in partnerships in determining their New York taxable income.

If the partnership included a deduction for state, local, or foreign income taxes, or unincorporated business taxes (including New York City unincorporated business taxes) in computing its federal ordinary income, **then** include the total deduction on line 107. For example, if the partnership deducted New York City unincorporated business tax on federal Form 1065 or 1065-B, include that tax deduction on line 107.

Note: The LLC/LLP filing fee is not an income tax and is not added back on line 107.

▶ **EA-2 Accelerated cost recovery system (ACRS) deduction — If** the partnership claimed ACRS depreciation on the federal return for:

- property placed in service during tax years 1981 through 1984 (other than 280F property); **or**
- property placed in service outside New York State during tax years 1985 through 1993 and fiscal tax years beginning in 1993 (other than 280F property), and the partnership elects to continue using IRC 167 depreciation (see TSB-M-99(1)I);

then include on line 107 that deduction. The partnership must complete Form IT-399, *New York State Depreciation Schedule,* and attach it to Form IT-204.

▶ **EA-3 Interest income on state and local bonds and obligations** (but not those of New York State or its local governments) **—** Interest income on obligations of other states or political subdivisions of those states that is exempt from federal income tax is subject to New York State tax. This includes interest income on state and local bonds (but not those of New York State and local governments within the state), interest and dividend income from tax-exempt bond mutual funds, and tax-exempt money market funds that invest in obligations of states other than New York (section 612(b)(1)).

If the partnership received or was credited with this type of income during the tax year, and the income was not includable in the partnership's federal income, **then** include that income on line 107.

▶ **EA-4 Investment income from certain obligations of U.S. government agencies or affiliations —** Federal laws specifically exempt investment income from certain obligations of U.S. government agencies or affiliations from federal taxation but not from state taxation.

If the partnership received or was credited with any interest or dividend income from any United States authority, commission, or instrumentality that federal laws exempt from federal income tax but do not exempt from state income tax, **then** include that income on line 107.

▶ **EA-5 Interest expense on loans used to buy obligations exempt from New York State tax, amortized bond premium on bonds that are exempt from New York State tax, and other expenses relating to the production of income exempt from New York State tax**

- **If** the partnership's federal ordinary income includes a deduction for interest expense used to buy bonds, obligations, or securities whose interest income is taxable for federal purposes but exempt from New York State tax, **then** include that expense on line 107.
- **If** the partnership's ordinary income includes a deduction for the amortization of bond premiums on bonds whose interest income is taxable for federal purposes but exempt from New York State tax, **then** include that interest expense on line 107.
- **If** the partnership's ordinary income includes a deduction for expenses related to the production for income that is taxable for federal purposes but exempt from New York State tax, **then** include that interest expense on line 107.

▶ **EA-6 Special additional mortgage recording tax deduction — If** the partnership deducted special additional mortgage recording tax in computing its federal ordinary income, and the special additional mortgage recording tax was paid before January 1, 1988, **and** in a prior year the partnership was allowed a New York State personal income tax credit for that tax, **then** include the amount deducted. Partnerships do not make the addition for the tax paid to record a mortgage on or after January 1, 2004, even if the partnership claimed a credit for that tax.

▶ **EA-7 Special additional mortgage recording tax basis adjustment — If** property on which the partnership paid the special additional mortgage recording tax was sold or disposed of, and a special additional mortgage recording tax was paid before January 1, 1988, and in a prior year the partners claimed the New York State personal income tax credit for the tax paid on that property, **and** the federal basis of the property was not adjusted to reflect the amount of the credit allowed, **then** include on line 107 the amount of the basis that was not adjusted for the amount of the credit claimed.

▶ **EA-8 Special depreciation — If** the partnership made an election for tax years beginning before 1987 for:

- special depreciation (see Form IT-211)
- research and development expenditures
- waste treatment facility expenditures
- air pollution control equipment expenditures **or**
- acid deposition control equipment

then include on line 107 the depreciation or expenditure related to these items that was deducted for federal tax purposes. **See ES-13.**

▶ **EA-9 Percentage depletion — If** the partnership claimed a deduction on its federal return for percentage depletion, **then** include on line 107 the deduction. **See ES-12.**

▶ **EA-10 New business investment; deferral recognition If** in any tax year beginning on or after January 1, 1982, and before 1988, the partners chose to subtract all or a portion of a partnership long-term capital gain from their federal adjusted gross incomes because that amount had been reinvested by the partnership in a new New York business, **and if** that reinvestment was sold in the current tax year, **then** include on line 107 the amount that had previously been subtracted.

▶ **EA-11 Safe harbor leases** (such a lease is a financial arrangement between a corporation, partnership, or certain grantor trusts; and a person, firm, estate, or trust to acquire and use an asset; the arrangement is allowed for federal tax purposes, but is not allowed for state purposes unless it involves mass transit vehicles) — **If** in computing its federal ordinary income, the partnership took deductions attributable to a safe harbor lease (except for mass transit vehicles) made under an election provided for by IRC section 168(f)(8) as it was in effect for agreements entered into prior to January 1, 1984, **then** include those deductions on line 107. **Also see EA-12, ES-15, and ES-16.**

▶ **EA-12 Safe harbor leases** (see EA-11 for definition of safe harbor leases) **— If** the partnership's financial matters for the current tax year involved a safe harbor lease (except for mass transit vehicles) made under an election provided for by IRC section 168(f)(8) as it was in effect for agreements entered into prior to January 1, 1984, **then** include on line 107 the income that the partnership would have included in its federal ordinary income if such election had not been made. **Also see EA-11, ES-15, and ES-16.**

▶ **EA-13 ACRS year of disposition adjustment — If** the partnership disposed of property which was depreciated for federal purposes using ACRS, **and if** ACRS depreciation was not allowed for state purposes (see EA-2), **then** the partnership must complete Part 2 of Form IT-399 to determine the amount, if any, to include on line 107.

▶ **EA-14 Qualified emerging technology investments (QETI) — If** the partnership elected to defer the gain from the sale of QETI, **then** the partnership must include on line 107 the amount previously deferred when the reinvestment in the qualified emerging technology company (QETC) which qualified the partnership for that deferral is sold. **See ES-18.**

▶ **EA-15 Royalty payments made to a related member or members —** For tax years beginning on or after January 1, 2003, a partnership may be required to add back certain royalty payments made during the tax year to a related member or members for the use of intangible property, such as trademarks or patents, and interest payments made to a related member or members, to the extent the payments were deducted in computing federal ordinary income. (For more information, see Tax Law section 612(r)).

If the partnership included a deduction for certain royalty payments, or certain interest payments made during the tax year in computing its federal ordinary income, **then** include the deduction on line 107.

▶ **EA-16 IRC section 168(k) property depreciation —** New York State does not follow the federal depreciation for IRC section 168(k) property (except for resurgence zone property, and New York liberty zone property described in IRC section 1400L(b)(2)) placed in service inside or outside New York State on or after June 1, 2003.

If the partnership claimed a depreciation deduction for property under IRC section 168(k), (except for resurgence zone property, and New York liberty zone property described in IRC section 1400L(b)(2)) on federal Form 1065, **then** the partnership must complete Part 1 of Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property,* to determine the amount to include on line 107. Attach Form IT-398 to Form IT-204.

▶ **EA-17 Sport utility vehicle (SUV) expense deduction** **If** the partnership, in computing its federal ordinary income claimed an IRC section 179 deduction for an SUV that weighs more than 6,000 pounds, **then** include the amount of that deduction on line 107.

An *SUV* means any four-wheeled passenger vehicle manufactured primarily for use on public streets, roads, and highways. However, *SUV* does not include (1) any ambulance, hearse, or combination ambulance-hearse used by a partnership directly in a trade or business; (2) any vehicle used by a partnership directly in the trade or business of transporting persons or property for compensation or hire; or (3) any truck, van, or motor home. A *truck* is defined as any vehicle that has a primary load-carrying device or container attached, or is equipped with an open cargo area or covered box not readily accessible from the passenger compartment.

Note: If a partner is an eligible farmer for purposes of the farmers' school tax credit, the partner is not required to make their share of the EA-17 modification.

▶ **EA-18 New York's 529 college savings program distributions — If** the partnership made a nonqualified withdrawal from an account established under New York's 529 college savings program, **then** include the amount of the withdrawal on line 107.

A withdrawal is nonqualified if: (1) the funds are used for purposes other than the higher education of the designated beneficiary; (2) withdrawal is actually disbursed in cash or in-kind from the qualified state tuition program, even if the amount withdrawn is reinvested in New York's 529 college savings program within the IRC 60-day rollover period; or (3) on or after January 1, 2003, the funds are transferred from New York's 529 college savings program to another state's program (whether for the same beneficiary or for the benefit of another family member).

However, nonqualified withdrawals do not include any withdrawals made in tax year 2007 as a result of the death or disability of the designated beneficiary, regardless of how the funds are used.

Note: Transfers between accounts of family members not disbursed in cash or in-kind within New York's 529 college savings program are not considered distributions within the meaning of Tax Law section 612(b)(34) and are therefore not required to be added back as a nonqualified withdrawal.

▶ **EA-19 Environmental remediation insurance premiums — If** a partnership included a deduction for premiums paid for environmental remediation insurance where such premiums were deducted in calculating federal ordinary income, **then** include the amount on line 107, to the extent the credit was allowed.

Line 108 — Enter the total of lines 107a through 107f and any attached schedule (if more than six addition modifications) on line 108.

New York State subtractions

▶ **ES-1 ACRS depreciation — If** you claimed ACRS depreciation on your federal return for:

- property placed in service during tax years 1981 through 1984 (other than 280F property); **or**
- property placed in service outside New York State during 1985 through 1993 and fiscal tax years beginning in 1993 (other than 280F property) and you elect to continue using IRC section 167 depreciation (see TSB-M-99(1)I);

then complete Part 1 of Form IT-399 to determine the New York depreciation to include on line 109.

▶ **ES-2 Income tax refunds — If** the partnership included in its federal ordinary income any refund or credit for overpayment of any income tax (including the New York City unincorporated business tax), **then** include that refund on line 109.

▶ **ES-3 Interest income on U.S. government bonds** Interest income on bonds or other obligations of the U.S. government is **not** taxed by New York. Dividends received from a regulated investment company (mutual fund) that invests in obligations of the U.S. government and meet the 50% asset requirement each quarter qualify for this subtraction. The portion of dividends that may be subtracted is based upon the portion of taxable income received by the mutual fund that is derived from federal obligations (section 612(c)(1)). **If** the partnership included income from these obligations in its federal ordinary income, **then** include that income on line 109.

▶ **ES-4 Certain investment income from U.S. government agencies — If** the partnership included in its federal ordinary income any interest or dividend income on bonds or securities of any United States authority, commission, or instrumentality that is exempt from state income taxes under federal laws, **then** include that income on line 109. If you are uncertain whether a particular federal bond or security is exempt from state income tax, see *Need help?* on page 26.

▶ **ES-5 Certain investment income exempted by other New York State laws — If** the partnership included in its federal ordinary income any interest or dividend income from any obligations or securities authorized to be issued by the laws of New York State, **and if** that income is exempt from state taxation by those laws (such as income received from bonds, mortgages, and income debenture certificates of limited dividend housing corporations organized under the Private Housing Finance Law), **then** include that income on line 109. If you are uncertain whether a particular obligation or security is exempt from state income tax, see *Need help?* on page 26.

▶ **ES-6 Interest expense on loans used to buy federally tax-exempt obligations that are taxable to New York State — If** income from these obligations would have been includable in the partnership's federal ordinary income (not portfolio income) if it was subject to federal tax, **then** interest expense incurred to buy those obligations is deductible by the partners in determining their New York adjusted gross incomes.

If you are including on line 107 interest income from bonds or other obligations that are federally tax exempt but taxable to New York State (see EA-3 and EA-4), **and if** the partnership incurred interest expense on loans used to purchase those obligations that was not deductible for federal purposes, **then** include that expense on line 109.

▶ **ES-7 Expenses (other than interest expense) connected with federally tax-exempt income that is taxable to New York State —** If this type of income would have been includable in federal ordinary income if it were subject to federal tax, expenses incurred to acquire or maintain that income are deductible in determining each partner's New York adjusted gross income.

If you are including on line 107 income that is federally tax exempt but taxable to New York State, **and if** you incurred expenses during the tax year to either produce or collect that income or manage, conserve, or protect the assets that produce that income, **and if** those expenses were not deductible for federal purposes, **then** include those expenses on line 109.

▶ **ES-8 Amortizable bond premiums on bonds, the interest on which is federally tax exempt but taxable to New York State — If** the income on these bonds would have been includable in federal ordinary income (not portfolio income) if it were subject to federal tax, **then** the amortizable bond premium on these bonds is deductible in determining each partner's New York adjusted gross income.

If you included on line 107 interest income on bonds that is federally tax exempt but taxable to New York State, **and if** those bonds were bought for more than their face value (that is, at a premium), **and if** the amortizable bond premium on those bonds for the tax year was not deducted by the partnership for federal tax purposes, **then** include that amortization on line 109.

▶ **ES-9 Wage and salary expenses allowed as federal credits but not as federal expenses —** The IRC allows certain wage and salary payments to others to be taken as credits against taxes instead of as expenses against income.

If the partnership took a federal credit for which a deduction for wages and salary expenses is not allowed under IRC section 280C, **then** include the wage payments not deductible for federal purposes on line 109.

▶ **ES-10 Sales or dispositions of assets acquired before 1960 with greater state than federal basis —** When federally-taxable gains are realized from the sale of certain assets that have higher adjusted basis for state tax purposes, subtraction adjustments must be made to reduce the gain for state tax purposes. State income tax laws prior to 1960 and currently existing state income tax laws about depletion can cause these differences in adjusted basis.

If the partnership is reporting a gain for federal tax purposes that was from **either:**

- property that had a higher adjusted basis for New York State income tax purposes than for federal income tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960); **or**
- property that was held in connection with mines, oil or gas wells, and other natural deposits and that had a higher adjusted basis for New York State income tax purposes than for federal tax purposes when sold;

then include on line 109 the **lesser of**:

- the gain itself, **or**
- the difference in the adjusted basis.

▶ **ES-11 Income earned before 1960 and previously reported to New York State —** Due to a different set of state income tax laws that applied to tax years ending before 1960 (and any fiscal year ending during 1960), income that is reportable for federal purposes this year may have already been reported for New York purposes. This income is not subject to New York tax again.

If the partnership reported any income or gain on its federal return for this tax year (including annuity income) that was properly reported as income on the New York State partnership return of this partnership for a tax year prior to 1960 (or a fiscal year ending in 1960), **then** include this income on line 109.

▶ **ES-12 Cost depletion —** New York State does not allow percentage depletion of natural resource holdings (see EA-9), but does allow cost depletion.

If you are making addition EA-9 for any percentage depletion deducted for federal purposes, **then**:

- compute the cost depletion that would be allowed on that property by IRC section 611, without any reference to either section 613 or 613A of that code; **and**
- include that amount on line 109.

▶ **ES-13 Special depreciation expenditures —** The excess expenditures incurred in tax years beginning before 1987 in connection with depreciable, tangible business property located in New York State may be carried over to the following tax year or years, and subtracted from the partner's federal adjusted gross incomes for that year(s), if those expenses exceeded your New York adjusted gross income before the allowance of those expenditures (section 612(c)(11)).

If the partnership incurred such expenditures, **then** complete Form IT-211, *Special Depreciation Schedule*, to determine the amount to include on line 109.

▶ **ES-14 Gain to be subtracted from the sale of a new business investment included in federal income — If** the partnership reported a capital gain on its federal income tax return from the sale of a new business investment that was issued to the partnership before 1988 **and** was held by the partnership for at least four years, **then** enter on line 109:

- if the investment was held at least four years but less than five years, 25% of that federal gain; **or**
- if the investment was held at least five years but less than six years, 50% of that federal gain; **or**
- if the investment was held at least six years, 100% of that federal gain.

▶ **ES-15 Safe harbor leases** (see EA-11 for a definition of safe harbor leases) **— If** an amount was included in the partnership's federal income (except for mass transit vehicles) solely because the partnership made the safe harbor election on its federal return for agreements entered into before January 1, 1984, **then** include that amount on line 109.

▶ **ES-16 Safe harbor leases** (see EA-11 for a definition of safe harbor leases) **— If** an amount could have been excluded from the partnership's federal income (except for mass transit vehicles) had the safe harbor election not been made on its federal tax return for agreements entered into before January 1, 1984, **then** include that amount on line 109.

▶ **ES-17 ACRS year of disposition adjustment — If** the partnership disposed of property during the tax year that was depreciated for federal purposes using ACRS, and if ACRS depreciation was not allowed for state purposes (see EA-2), **then** the partnership must complete Part 2 of Form IT-399, *New York State Depreciation Schedule*, to determine the amount, if any, to be included on line 109.

▶ **ES-18 Qualified emerging technologies investments (QETI) —** The partnership 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, 1999, that meets the holding-period criteria. The gain deferred must be added back in the year the replacement QETI is sold.

If the partnership elects to defer the gain from the sale of QETI, **then** include on line 109 the amount of the gain deferral to the extent the gain was included in federal taxable income. **If** purchase of the replacement QETI within the 365-day period occurs in the same tax year as the sale of the original QETI, or in the following tax year and before the date the partnership return is filed, **then** report the deduction on that return. **If** purchase of the replacement QETI within the 365-day period occurs in the following tax year and on or after the date the partnership return is filed, **then** the partnership must file an amended return to claim the deduction. In addition, each partner must file an amended personal income tax return to claim his or her share of the deduction.

A *QETI* is an investment in the stock of a corporation or an ownership interest in a partnership or 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 IRC 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 in stock).

A *qualified emerging technology company* is a company located in New York State that has total annual product sales of 10 million dollars or less and meets either of the following criteria:

- its primary products or services are classified as emerging technologies; **or**
- 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 any comparable successor survey, as determined by the Tax Department).

▶ **ES-19 Distributions made to a victim of Nazi persecution — If** the partnership included in its federal ordinary income amounts received from an eligible settlement fund or grantor trust as defined by section 13 of the Tax Law (because it or a predecessor or assignor was persecuted or targeted for persecution by the Nazi regime because of race, religion, ethnicity, sexual orientation, national origin, or physical or mental disability or handicap), or distributions received because of its status as a victim of Nazi persecution, **then** include that amount on line 109.

▶ **ES-20 Royalty payments made to a related member or members —** For tax years beginning on or after January 1, 2003, a partnership may be required to subtract certain royalty payments for the use of intangible property such as trademarks or patents, and interest payments that the partnership received either directly or indirectly during the tax year from a related member or members, to the extent the payments were included in federal ordinary income, and the payments were required to be added back by the related member or members in accordance with EA-15.

If the partnership, as a related member, included in federal ordinary income certain royalty or interest payments during the tax year for the use of intangible property, **then** include that amount on line 109. **See EA-15.**

▶ **ES-21 IRC section 168(k) property depreciation —** New York State does not follow the federal depreciation for IRC section 168(k) property (except for resurgence zone property, and New York liberty zone property described in IRC section 1400L(b)(2)) placed in service inside or outside New York State on or after June 1, 2003.

If the partnership claimed a depreciation deduction for IRC section 168(k) property, (except for resurgence zone property, and New York liberty zone property described in IRC section 1400L(b)(2)) on your federal Form 1065, **then** complete Part 1 of Form IT-398**,** *New York State Depreciation Schedule for IRC Section 168(k) Property,* to compute the amount of New York depreciation to include on line 109. Attach Form IT-398 to Form IT-204. **See EA-16.**

▶ **ES-22 Amount of IRC section 168(k) property deduction that is greater than the depreciation claimed for New York State (year of disposition adjustment) — If** the partnership disposed of IRC section 168(k) property (except for resurgence zone property, and New York liberty zone property described in IRC section 1400L(b)(2)) placed in service inside or outside New York State on or after June 1, 2003, **and** the total federal depreciation deduction is more than the New York depreciation deduction for that property, **then** the partnership must complete Part 2 of Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*, to compute the amount of the disposition adjustment to enter on line 109. Attach Form IT-398 to Form IT-204.

▶ **ES-23 SUV expense deduction recapture — If**, in computing federal ordinary income, the partnership is required to recapture certain amounts claimed as an IRC section 179 deduction for an SUV that weighs more than 6000 pounds, and the vehicle was previously subject to the modification EA-17, **then** include the amount to be recaptured on line 109. **See EA-17.**

An *SUV* means any four-wheeled passenger vehicle manufactured primarily for use on public streets, roads, and highways. However, *SUV* does not include (1) any ambulance, hearse, or combination ambulance-hearse used by a partnership directly in a trade or business; (2) any vehicle used by a partnership directly in the trade or business of transporting persons or property for compensation or hire; **or** (3) any truck, van, or motor home. A *truck* is defined as any vehicle that has a primary load-carrying device or container attached, or is equipped with an open cargo area or covered box not readily accessible from the passenger compartment.

Note: If a partner is an eligible farmer for purposes of the farmers' school tax credit, the partner is not required to make their share of the ES-23 modification.

▸ **ES-24 New York's 529 college savings program deduction — If** the partnership made contributions as the account owner to one or more 529 college savings program account(s) established under New York's 529 college savings program, **and** the contributions were not deductible or eligible for a credit for federal income tax purposes, **then** include that amount on line 109.

▸ **ES-25 New York's 529 college savings program distributions — If** the partnership made a withdrawal from an account established under New York's 529 college savings program, and part of the withdrawal was included in its federal income, **then** include on line 109 the amount included in federal income.

Line 110 — Enter the total of lines 109a through 109f and any attached schedule (if more than six subtraction modifications) on line 110.

Lines 111 and 113

Use **only** for modifications that apply to federal itemized deductions on the individual returns of partners. Exclude any amounts properly reportable on lines 107 and 109. Be sure to enter the corresponding letter and total amount of the addition to or subtraction from itemized deductions.

Line 111 — Additions to federal itemized deductions

A Interest expense on money borrowed to purchase or carry bonds or securities whose interest is subject to New York State income tax but exempt from federal income tax, if this interest expense was not deducted on the federal return or subtracted on line 109.

B Ordinary and necessary expenses paid or incurred during the tax year in connection with income, or property held to produce income, that is subject to New York State income tax but exempt from federal income tax, if these expenses were not deducted on the federal return or subtracted on line 109.

C Amortization of bond premium attributable to the tax year on any bond whose interest income is subject to New York State income tax but exempt from federal income tax, if this amortization was not deducted on the federal return or subtracted on line 109.

Line 113 — Subtractions from federal itemized deductions

D State, local, and foreign income taxes (including unincorporated business taxes).

E Interest expense on money borrowed to purchase or carry bonds or securities whose interest is exempt from New York State income tax.

F Ordinary and necessary expenses paid or incurred in connection with income, or property held to produce income, that is exempt from New York State income tax, but only to the extent deducted in computing your federal taxable income.

G Amortization of bond premium attributable to the tax year on any bond whose interest income is exempt from New York State income tax, but only to the extent deducted in computing your federal taxable income.

Line 115 — Enter the total amount of interest on indebtedness incurred to purchase or carry obligations or securities when the income from those securities is exempt from New York income tax and interest is included in investment interest expense required to be passed through to partners.

Line 116 — Enter the total amount of New York adjustments to federal tax preference items for resident partners and nonresident partners who are not required to allocate. See the instructions for Form IT-220, *Minimum Income Tax,* for the New York adjustments to federal tax preference items.

Section 10 — New York allocation schedule

Complete Part 1 if the partnership carries on business both in and out of New York State. Enter the exact location of each place where the partnership carries on business. Describe each place (for example, branch office, agency, factory), and state whether it is rented or owned by the partnership.

Complete Part 2 if the partnership carries on business both in and out of New York State but does not maintain books and records from which the New York business income can be determined.

You must still complete Part 2, even though it may not fairly and equitably reflect the income from New York and you use an authorized alternate allocation method. You must attach a detailed explanation of the authorized alternate method used to determine the New York income, together with full details of any changes increasing or decreasing the amount of New York income computed by the authorized alternate method.

Line 119 — Real property owned

Enter in column A the average value of all real property connected with the partnership. Enter in column B the average value of all real property connected with the partnership located in New York State.

The average value of the property is determined by (1) adding its adjusted basis at the beginning of the tax year to its adjusted basis at the end of the tax year, and (2) dividing by two.

Line 120 — Real property rented from others

The value of real property rented to the business, and to be included in line 120, is eight times the gross rent payable during the tax year for which the return is filed. *Gross rent* includes any amount payable for the use or possession of real property, or any part thereof, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise; any amount payable as additional rent, or in place of rent, such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other agreement; and the cost of any improvement to real property made by or on behalf of the business that reverts to the owner or lessor upon termination of a lease or other arrangement. However, if a building is erected on leased land by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business.

Line 121 — Tangible personal property owned

Enter in column A the average value (determined in accordance with the instruction for line 119) of all tangible personal property (including any inventory) owned by the business. Enter in column B the average value (determined in accordance with the instructions for line 119) of tangible personal property located in New York State.

Line 122 — Property percentage

Add lines 119, 120, and 121 in columns A and B and enter each total on line 122. Divide the column B total by the column A total and round the result to the fourth decimal place. For example, if the total in column A is $15,000 and the total in column B is $10,000, divide $10,000 by $15,000 and enter the result (0.6667) as a percentage (66.67%) in column C.

Line 123 — Payroll percentage

The amounts to be entered on line 123 include wages, salaries, and so forth, paid only to employees of the partnership. Do not include payments to independent contractors, independent sales agents, or the like. Enter on line 123 in column A the total of such pay to employees during the tax year for partnership operations carried on both in and out of New York State. Enter on line 123 in column B the amount of that pay for operations carried on in New York State. Operations are considered to be carried on in New York State if the employee works in or travels out of an office or other place of business located in New York State. If in Section 8, line 109, you subtracted an amount based on wages not allowed because of either the Indian employment credit, a work opportunity credit, or an empowerment zone employment credit, this change should be reflected here in wages and salaries paid during the year. Divide column B by column A. Round the result to the fourth decimal place and enter it as a percentage in column C.

Line 124 — Gross income percentage

The amount to be entered on line 124 in column A is total gross sales made, or charges for services performed, by the employees, agents, agencies, or independent contractors of the partnership in and out of New York State. The amount to be entered on line 124 in column B is the part of total gross sales or charges that represents sales made or services performed by or through an agency in New York State. This includes sales made or services performed by employees, agents, agencies, or independent contractors situated at, connected with, or sent out from offices of the partnership (or its agencies) located in New York State. For example, if a salesman working out of the New York office of the business covers the states of New York, New Jersey, and Pennsylvania, all sales made by him are to be allocated to New York State and included on line 124 in column B. Divide column B by column A. Round the result to the fourth decimal place and enter it as a percentage in column C.

Section 11 — Partners' credit information

Enter the brownfield redevelopment tax credit components; the EZ capital tax credit and recapture amounts; QEZE tax reduction credit factors; the QETC facilities, operations, and training credit components; and the farmers' school tax credit factors, computed at the partnership level, on the appropriate lines. For all other credits, addbacks of credits, and recaptures, you must enter the 3-digit code number and the amount on lines 147 or 148 identifying the credit or addback. Attach the credit form(s) to your Form IT-204. A chart with the other credits, addbacks of credits, and recaptures, in addition to the 3-digit codes to enter on lines 147 and 148 is found on page 12.

Line 127 — Enter the total site preparation credit component as shown on Form IT-611, line 8.

Line 128 — Enter the total tangible property credit component as shown on Form IT-611, line 16.

Line 129 — Enter the total on-site groundwater remediation credit component as shown on Form IT-611, line 24.

Line 134 — Enter the QEZE employment increase factor computed on Form IT-604, line 13 or line 44.

Line 135 — Enter the QEZE zone allocation factor computed on Form IT-604, line 19 or line 50.

Line 136 — Enter the QEZE benefit period factor from Form IT-604, page 3, *Benefit period factor table,* or line 56.

Note: If the partnership is filing multiple Forms IT-604, *Claim for QEZE Tax Reduction Credit,* enter the code and credit factors on lines 144g through 144l. The additional codes are as follows:

Code **CF1** – Employment increase factor

Code **CF2** – Zone allocation factor

Code **CF3** – Benefit period factor

Line 140 — See instructions for item A in Form IT-217-I, *Instructions for Form IT-217, Claim for Farmers' School Tax Credit,* to determine the acres of qualified agricultural property to enter on this line.

Line 141 — *Qualified conservation property* is acreage that, during the tax year, is enrolled in or participating in a federal environmental conservation acreage reserve program under Title III of the Federal Agricultural Improvement and Reform Act of 1996.

Line 142 — See instructions for item B in Form IT-217-I to determine the amount of eligible school district property taxes paid to enter on this line.

Line 143 — See instructions for item F in Form IT-217-I to determine the acres of qualified agricultural property converted to nonqualified use to enter on this line.

Note: If the partnership was a shareholder in a C corporation that has a special gross income from farming election, enter the following information, which should have been provided to you by the C corporation, and codes on lines 144a through 144f:

- Enter the entire net income amount as reported to you by the corporation and code ***148***.
- Enter the principal payment amount paid on farm indebtedness as reported to you by the corporation and code ***146***.
- Enter the gross income as reported to you by the corporation and code ***149***.
- Enter the gross income from farming as reported to you by the corporation and code ***147***.

Line 146a — If the partnership has Article 9-A corporate partners, in addition to entering the amount of credit on line 146a, enter code ***212*** and the amount of investment credit **base** (cost of other basis of qualified property purchased **excluding** R & D property) on lines 144a through 144f.

Line 146b — If the partnership has Article 9-A corporate partners, in addition to entering the amount of credit on line 146b, enter code ***218*** and the amount of R & D investment credit **base** (cost of other basis of qualified property purchased) on lines 144a through 144f.

Line 147 — Partnerships that have Article 9-A corporate partners

- If the partnership enters code 163 on this line, also enter code ***163*** and the amount of EZ investment credit **base** (cost of other basis of qualified property purchased) on lines 144a through 144f.
- If the partnership enters code 165, also enter code ***165*** and the amount of Financial Services Industry (FSI) EZ investment credit **base** (cost of other basis of qualified property purchased) on lines 144a through 144f.
- If the partnership enters code 252, also enter code ***252*** and the amount of FSI investment credit **base** (cost of other basis of qualified property purchased) on lines 144a through 144f.

Lines 147 and 148 — Other pass-through credits, addbacks and recaptures

To claim these credits or report these addbacks and recaptures:	See these forms and their instructions:	Report on Form IT-204 line:	Enter code:
Alternative fuels credit	IT-253	Lines 147a-147h	253
Addback on early dispositions	IT-253	Lines 148a-148f	253
Biofuel production credit	IT-243	Lines 147a-147h	303
Brownfield redevelopment			
Addback for redevelopment tax credit	IT-611	Lines 148a-148f	171
Brownfield credit for real property taxes	IT-612	Lines 147a-147h	172
Addback for real property taxes	IT-612	Lines 148a-148f	172
Brownfield credit for environmental remediation insurance	IT-613	Lines 147a-147h	173
Addback for environmental remediation insurance	IT-613	Lines 148a-148f	173
Clean heating fuel credit	IT-241	Lines 147a-147h	301
Conservation easement credit	IT-242	Lines 147a-147h	302
Defibrillator credit	IT-250	Lines 147a-147h	250
Empire State commercial production credit	IT-246	Lines 147a-147h	355
Empire State film production credit	IT-248	Lines 147a-147h	248
EZ investment tax credit *(including EZ employment incentive credit)*	IT-603	Lines 147a-147h	163
Addback on early dispositions	IT-603	Lines 148a-148f	163
EZ wage tax credit	IT-601	Lines 147a-147h	161
Employment of persons with disabilities credit	IT-251	Lines 147a-147h	251
Farmers' school tax credit			
Addback on converted property	IT-217	Lines 148a-148f	217
FSI EZ investment tax credit *(including FSI EZ employment incentive credit)*	IT-605	Lines 147a-147h	165
Addback on early dispositions	IT-605	Lines 148a-148f	165
FSI investment tax credit *(including FSI employment incentive credit)*	IT-252	Lines 147a-147h	252
Addback on early dispositions	IT-252	Lines 148a-148f	252
Fuel cell electric generating equipment credit	IT-259	Lines 147a-147h	259
Green building credit	DTF-630	Lines 147a-147h	630
Handicapped-accessible taxicabs and livery service vehicles credit	IT-239	Lines 147a-147h	299
Investment credit			
Addback on early dispositions	IT-212	Lines 148a-148f	212
Low-income housing credit	DTF-624	Lines 147a-147h	624
Addback	DTF-626	Lines 148a-148f	626
QETC capital tax credit	DTF-622	Lines 147a-147h	622
Addback on early dispositions	DTF-622	Lines 148a-148f	622
QETC employment credit	DTF-621	Lines 147a-147h	621
QEZE credit for real property taxes	IT-606	Lines 147a-147h	166
Addback	IT-606	Lines 148a-148f	166
Rehabilitation of historic properties credit	IT-238	Lines 147a-147h	238
Addback on early dispositions	IT-238	Lines 148a-148f	238
Security officer training credit	IT-631	Lines 147a-147h	631
Special additional mortgage recording tax credit	IT-256	Lines 147a-147h	256

Partnership's instructions for Form IT-204-IP
New York Partner's Schedule K-1

General information

Partnerships with New York source income must provide Form IT-204-IP to each Article 22 partner on or before the day on which the partnership return is required to be filed. Partnerships with no New York source income who are filing a return specifically because they have resident partners must file and provide Form IT-204-IP only for the resident partners. (See *2007 attachment options* on page 1.)

Partners should obtain a copy of Form IT-204-IP-I, *Partner's Instructions for Form IT-204-IP* for Form IT-204-IP to help them report on their personal income tax return the items shown on their Form IT-204-IP.

Specific instructions

Partnership's information

On each Form IT-204-IP, enter the name and EIN of the partnership.

Item C

Enter the business allocation percentage of the partnership from Form IT-204, line 126.

If line 126 is blank because your business allocation percentage is 100% New York State, enter 100%.

If line 126 does not fairly and equitably reflect the income from New York and you have attached an authorized alternative method of allocation, enter the alternative allocation percentage.

If line 126 is blank because the partnership's books and records accurately reflect income earned in New York, leave item C blank.

Partner's information

For the partner for which you are completing this Form IT-204-IP, enter the partner's name, address, and identifying number (social security number or EIN).

Item E

If you marked an ***X*** in the *Partnership* box, you should check with this partner to see if any partner of theirs or in the tier or chain is an Article 9-A corporate partner. If so, you should give both Forms IT-204-IP and IT-204-CP to your partner because they will need the information from both forms to provide the necessary information to their partners. Only submit the Form IT-204-IP (and not the Form IT-204-CP) for this partner with your Form IT-204. See *2007 attachment options* on page 1 for more information.

Item H

Enter the partner's percentages as reported on federal Schedule K-1, item J.

Item I

Enter the partner's share of liabilities as reported on federal Schedule K-1, item K.

Item J

Enter the partner's capital account analysis as reported on federal Schedule K-1, item L. However, enter on lines 2 and 3 of item J, the amount of cash and property contributed by **that** partner to the partnership as included on New York State Form IT-204, Section 6, lines 76 and 77. Enter on line 5 of item J, the amount of withdrawals and distributions of cash to **that** partner from Form IT-204, Section 6, line 81. Enter on line 6 of item J, the amount of withdrawals and distributions of property made to **that** partner from Form IT-204, Section 6, line 82.

Item M

If this partner is a nonresident individual who submitted a Form IT-2658-E, *Certificate of Exemption from Partnership or New York S Corporation Estimated Tax Paid on Behalf of Nonresident Individual Partners or Shareholders,* that is **valid** for 2007, mark an ***X*** in the *Yes* box. If the partner is a resident individual partner, another partnership, or an estate or trust, leave item M blank. If you marked an ***X*** in the *Yes* box, do not complete item N.

Item N

Enter the amount of estimated tax paid on behalf of the partner from Form(s) IT-2658, on lines N1 through N4, and the total amount paid on line N.

Partner's share of income, deductions, etc.

Column B

Transfer the amounts from the individual partner's federal Form 1065, Schedule K-1. However, for line 19 of federal Form 1065, Schedule K-1, determine the portion of line 19 that represents distributions of cash and marketable securities, and distributions of other property, and enter those amount(s) on line 17 and line 18 of Form IT-204-IP respectively. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on each specific line.

Column C

Enter in column C the amounts from column B that are derived from or connected with New York State sources. (See *Income from New York State sources includes* on page 2.)

If you are doing business entirely within New York State, enter the amounts from column B in column C.

If you are doing business both inside and outside New York State, allocate to New York State the federal items of income, gain, loss, and deduction as shown on federal Form 1065, Schedule K. Use the business allocation percentage (item C), the separate book method (see *Books and records* below), or an authorized alternative allocation method. However, do not allocate any items of real property (see *Note* below).

Note: Amounts attributable to real property located in New York State are 100 percent allocable to New York. Amounts attributable to real property located outside New York State are not allocable to New York.

Books and records

A partnership carrying on business inside and outside of New York State, that maintains books and records from which the New York income of the business can be determined, enters in column C the amount of each item derived from New York State sources, as determined from the books of account.

Authorized alternative allocation method

If a detailed explanation of an authorized alternative allocation method is attached to Form IT-204, use that method to compute the amounts to be entered in column C.

Calculation of the partner's share of New York modifications and credits

You must allocate the partner's share of a modification or credit in accordance with the partner's distributive share, for federal income tax purposes, of the item to which the modification relates. Where a partner's distributive share of any such item is not required to be taken into account separately for federal income tax purposes, the partner's share of such item must generally be determined in accordance with their share, for federal income tax purposes, of partnership taxable income and loss.

Where a partner's distributive share of an item of partnership income, gain, loss, or deduction is determined for federal income tax purposes by special provision in the partnership agreement with respect to such item, and where the principal purpose of such provision is the avoidance or evasion of tax under this article, the partner's distributive share of such item, and any modification or credit required with respect thereto, must be determined as if the partnership agreement made no special provision with respect to such item.

If the partnership agreement does not provide for the partner's distributive share of income, gain, loss, deduction, or credit, determine the partner's share according to the partner's interest in the partnership.

If a partner's interest changed during the year, determine the distributive share of each partner at the federal level. How the partnership allocates income or (loss) is also determined at the federal level. Allocate income or (loss) to the partner only for the part of the year in which that person was a member of the partnership.

Partner's share of New York modifications

Any of the modifications listed on pages 5 through 10 of these instructions are to be added to or subtracted from each partner's federal adjusted gross income or federal itemized deductions on the partner's New York State income tax return, in arriving at the partner's total New York income and New York itemized deduction, respectively. The partners need this information to complete their individual tax returns.

Line 20 — New York State additions

Enter in column A on lines 20a through 20f the partner's distributive share of the total amount for each addition modification reported on Form IT-204, lines 107a through 107f. Each addition modification is designated by the letters *EA*. Be sure to enter the corresponding number of the addition next to the letters *EA*. If you are reporting more than six addition modifications for the partner, attach a separate schedule. Enter in column B, *New York State allocated amount,* the amount of the partner's modification that relates to income, gain, loss, or deduction derived from or connected with New York State sources.

Line 21— Enter the column A total of lines 20a through 20f and any attached schedule (if more than six addition modifications) on line 21.

Line 22 — New York State subtractions

Enter in column A on lines 22a through 22f the partner's distributive share of the total amount for each subtraction modification reported on Form IT-204, lines 109a through 109f. Each subtraction modification is designated by the letters *ES*. Be sure to enter the corresponding number of the subtraction next to the letters *ES*. If you are reporting more than six subtraction modifications for the partner, attach a separate schedule. Enter in column B, *New York State allocated amount,* the amount of the partner's modification that relates to income, gain, loss, or deduction derived from or connected with New York State sources.

Line 23 — Enter the column A total of lines 22a through 22f and any attached schedule (if more than six subtraction modifications) on line 23.

Line 24 — Additions to federal itemized deductions

Enter in the *Amount* column on lines 24a through 24f the partner's distributive share of the total amount for each addition to federal itemized deductions reported on Form IT-204, lines 111a through 111f. Be sure to enter the corresponding letter for each addition in the *Letter* box.

Line 26 — Subtractions from federal itemized deductions

Enter in the *Amount* column on lines 26a through 26f the partner's distributive share of the total amount for each subtraction from federal itemized deductions reported on Form IT-204, lines 113a through 113f. Be sure to enter the corresponding letter for each subtraction in the *Letter* box.

Line 28 — Interest expense incurred to carry tax-exempt obligations

Enter the partner's distributive share from Form IT-204, line 115.

Line 29 — New York adjustments to tax preference items

Enter the partner's distributive share from Form IT-204, line 116.

Partner's credit information

Brownfield redevelopment tax credit

Line 30 — Enter the partner's distributive share of the site preparation credit component from Form IT-204, line 127.

Line 31— Enter the partner's distributive share of the tangible property credit component from Form IT-204, line 128.

Line 32 — Enter the partner's distributive share of the on-site groundwater remediation credit component from Form IT-204, line 129.

EZ capital tax credit

Line 33 — Enter the partner's distributive share of credit for investments in certified EZ businesses from Form IT-204, line 130.

Line 34 — Enter the partner's distributive share of credit for the contributions of money to EZ community development projects from Form IT-204, line 131.

Line 35 — Enter the partner's distributive share of a recapture of credit for investments in certified EZ businesses from Form IT-204, line 132.

Line 36 — Enter the partner's distributive share of a recapture of credit for a contributions of money to EZ community development projects from Form IT-204, line 133.

QEZE tax reduction credit

Lines 37 through 39

Enter the QEZE employment increase factor, QEZE zone allocation factor, and QEZE benefit period factor from Form IT-204, lines 134 through 136.

QETC facilities, operations, and training credit

Line 40 — Enter the partner's distributive share of the research and development property credit component from Form IT-204, line 137.

Line 41 — Enter the partner's distributive share of the qualified research expenses credit component from Form IT-204, line 138.

Line 42 — Enter the partner's distributive share of the qualified high-technology training expenditures credit component from Form IT-204, line 139.

Farmers' school tax credit

Line 43 — Enter the partner's distributive share of acres of qualified agricultural property from Form IT-204, line 140.

Line 44 — Enter the partner's distributive share of acres of qualified conservation property from Form IT-204, line 141.

Line 45 — Enter the partner's distributive share of eligible school district property taxes paid by the partnership from Form IT-204, line 142.

Line 46 — Enter the partner's distributive share of acres of qualified agricultural property converted to nonqualified use from Form IT-204, line 143.

Line 47 — If you were a shareholder in a C corporation that has a special gross income from farming election, enter the code and the partner's distributive share of the amount on lines 47a through 47f as reported on Form IT-204, lines 144a through 144f.

If you are filing multiple Forms IT-604, *Claim for QEZE Tax Reduction Credit,* enter the code and the partner's credit factors on lines 47g through 47l as reported on Form IT-204, lines 144g through 144l.

Lines 48 through 50

Enter the partner's distributive share of the:

— long-term care insurance credit from Form IT-204, line 145

— investment credit (including the employment incentive credit and historic barn rehabilitation credit) from Form IT-204, line 146a

— research and development credit – investment credit from Form IT-204, line 146b

Line 51 — For all other credits, you must enter the 3-digit code number identifying each credit and the partner's distributive share of that credit from Form IT-204, lines 147a through 147h.

Line 52 — For all other addbacks of credits and recaptures, you must enter the 3-digit code number identifying each addback or recapture and the partner's distributive share of that addback or recapture from Form IT-204, lines 148a through 148f.

Partnership's instructions for Form IT-204.1
New York Corporate Partners' Schedule K

General information

Form IT-204.1, *New York Corporate Partners' Schedule K,* **must be** completed by a partnership that has corporate partners taxable under Article 9-A. The form contains partnership items reported to the partnership's corporate partners on Form IT-204-CP, *New York Corporate Partner's Schedule K-1.* Attach Form IT-204.1 to your Form IT-204, *Partnership Return*.

Specific instructions

Entire net income (ENI) and minimum taxable income (MTI) information

Line 1 — Tax-exempt interest

Enter all interest received or accrued from federal, state, municipal, and other obligations that was exempt from federal income tax. You may deduct from this amount any expenses attributable to that interest but denied deductibility under IRC section 265. Attach a list of items and amounts included on this line.

Line 2 — Federal depreciation

Enter any federal depreciation amounts (including any disposition adjustments), if applicable, from Forms IT-399, *New York State Depreciation Schedule,* and IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*. Attach the form(s) to Form IT-204.

Line 3 — Other state and local taxes

Enter the total amount of taxes paid or accrued to other U.S. states, their political subdivisions, and the District of Columbia, if the taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 4 — Taxes paid to the U.S., possessions of the U.S., or foreign countries

Enter the total amount of taxes paid or accrued to the U.S., its possessions, and any foreign country, if the taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 5 — Taxes related to the farmers' school tax credit

Enter the total amount of real property taxes paid on qualified agricultural property. *Qualified agricultural property* includes land and land improvements located in New York State that are used in agricultural production. It also includes structures and buildings (except for buildings used by the partnership for residential purposes) that are located on the land and used or occupied to carry out agricultural production.

Line 6 — Special additional mortgage recording tax

Enter the amount of the special additional mortgage recording tax.

Line 7 — Other additions

Identify in the box provided any applicable other additions, by the *EA* number listed below. List the amount of each addition, and provide the total amount of other additions on line 7.

- **EA-8 Special depreciation —** See EA-8 addition modification instruction on page 6.
- **EA-11 Safe harbor leases —** See EA-11 addition modification instruction on page 6.
- **EA-12 Safe harbor leases —** See EA-12 addition modification instruction on page 6.
- **EA-14 Qualified emerging technology investments (QETI) —** See EA-14 addition modification instruction on page 6.
- **EA-15 Royalty payments made to a related member or members —** See EA-15 addition modification instruction on page 6.
- **EA-17 Sport utility vehicle expense deduction —** See EA-17 addition modification instruction on page 7.
- **EA-19 Environmental remediation insurance premiums —** See EA-19 addition modification instruction on page 7.
- **EA-40 Worldwide net income and losses —** Enter all income from sources outside the United States, minus all allowable deductions attributable to it, that was not included in federal income.
- **EA-41 Mining exploration and development costs** Enter any federal adjustment for mining exploration and development cost determined under IRC section 56(a)(2).
- **EA-42 Basis adjustment in determining gain or loss from sale or exchange of property —** Enter the federal basis adjustment determined under IRC section 56(a)(6), **except** do not include any basis adjustment made in determining the gain or loss from the sale or exchange of pollution control facilities.
- **EA-43 Long-term contracts —** Enter any federal adjustment for the treatment of certain long-term contracts determined under IRC section 56(a)(3).
- **EA-44 Installment sales —** Enter any federal adjustment for installment sales for certain property.
- **EA-45 Merchant marine capital construction funds** Enter any federal adjustment for merchant marine capital construction funds determined under IRC section 56(c)(2).

Line 8 — Dividends received

Enter the total dividends received from stock that meets the holding requirements of IRC section 246(c). Include dividends received from subpart F income and dividends received from a money market. Do not include the grossed-up dividends under IRC section 78. Attach a breakdown by each stock and money market account.

Line 9 — Foreign dividends gross-up

Enter the total amount of foreign dividend gross-up under IRC section 78.

Line 10 — Allowable New York depreciation

Enter any allowable New York depreciation amounts (including any disposition adjustments), if applicable, from Forms IT-399 and IT-398. Attach the form(s) to Form IT-204.

Line 11 — Other subtractions

Identify in the box provided any applicable other subtractions by the *ES* number listed below. List the amount of each subtraction, and provide the total amount of other subtractions on line 11.

- **ES-9 Wage and salary expenses allowed as federal credits but not as federal expenses —** See ES-9 subtraction modification instruction on page 8.
- **ES-13 Special depreciation expenditures —** See ES-13 subtraction modification instruction on page 8.
- **ES-15 Safe harbor leases —** See ES-15 subtraction modification instruction on page 8.
- **ES-16 Safe harbor leases —** See ES-16 subtraction modification instruction on page 8.
- **ES-18 Qualified emerging technologies investments (QETI) —** See ES-18 subtraction modification instruction on page 9.
- **ES-19 Distributions made to a victim of Nazi persecution —** See ES-19 subtraction modification instruction on page 9.
- **ES-20 Royalty payments made to a related member or members —** See ES-20 subtraction modification instruction on page 9.
- **ES-23 Sport utility vehicle expense deduction recapture —** See ES-23 subtraction modification instruction on page 9.
- **ES-40 Receipts from the operation of school buses** Enter all receipts from the transportation of pupils, teachers, and others acting in a supervisory capacity to and from school or school activities, minus any deductions allowed in computing federal income that are directly or indirectly attributable to those receipts.
- **ES-41 Depletion —** Enter the federal tax preference item for depletion determined under IRC section 57(a)(1).
- **ES-42 Appreciated property charitable deduction** Enter the federal tax preference item for the carryover of appreciated property charitable deduction determined under IRC section 57(a)(6).
- **ES-43 Intangible drilling costs —** Enter the federal tax preference item for intangible drilling costs determined under IRC section 57(a)(2).

Assets and liabilities

Lines 12 through 15

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 12 — Total assets

Enter the average value of New York assets in column A and the average value of total assets in column B. Enter the value shown on your books in accordance with generally accepted accounting principles (GAAP).

Line 14 — Real property and marketable securities at fair market value (FMV)

Enter the FMV of real property and marketable securities included on line 13. The FMV of an asset is the price (without deduction of an encumbrance whether or not the partnership is personally liable) at which a willing seller will sell and a willing purchaser will buy. You can generally find the FMV of marketable securities from price quotes in financial newspapers. For determination of FMV of real property, see TSB-M-85(18.1)C, *Valuation of Real Property*.

Line 15 — Total liabilities

Enter the total amount of all liabilities attributable to assets on line 12, both long and short term. Use the same method of averaging used to determine average value of assets on line 12.

Stocks, bonds, and other securities

Lines 16 through 19

The phrase *stocks, bonds, and other securities* includes stocks and similar corporate equity instruments, such as business trust certificates, and units in publicly traded partnerships treated as a corporation for purposes of Tax Law Article 9-A; debt instruments issued by a governmental entity; qualifying corporate debt instruments; options on the foregoing, or on a stock or bond index, or on a futures contract on such an index; and stock rights and stock warrants.

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.

Attach a list of all stocks, bonds, and other securities by each investment type. List the name of each investment. When identifying debt instruments, also list the date each debt was incurred and the maturity date of such investment. When identifying the stock and other securities, also list the number of shares of such investments.

Line 16 — Total average value of stocks, bonds, and other securities

Enter the total average value of stocks, bonds, and other securities.

Do not include on this line debt instruments issued by the United States, any state, territory, possession of the United States, the District of Columbia, any foreign country, or any political subdivision or governmental instrumentality of any of the foregoing, and qualifying corporate debt instruments that are deemed to be cash.

Line 17 — Total liabilities directly attributable to stocks, bonds, and other securities

Enter all liabilities, both long-term and short-term, directly attributable to stocks, bonds, and other securities. Use the same method of averaging used to determine the average value on line 16. Attach a list of all liabilities by each stock, bond, or other security.

Line 18 — Total average value of cash on hand and on deposit

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 (that is, a **money market** fund).

Cash also includes debt instruments deemed cash. A debt instrument must be treated as cash if payable:

- on demand
- by its terms within six months and one day from the date the debt was incurred
- by its terms more than six months and one 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 six months and one day prior to the maturity date

Line 19 — Total liabilities directly attributable to cash on hand and on deposit

Use the same method of averaging that you used to determine the average value on line 18.

Income from stocks, bonds, and other securities

Line 20 — Interest income from corporate and governmental debt instruments

Enter the interest income received from corporate and governmental debt instruments. Attach a list of each corporate and governmental debt instrument and the amount of interest income received from each investment.

Line 21 — Interest income from bank accounts

Enter interest income received from bank accounts (cash). Include interest income received from a savings account, checking account, time deposit account (other than a certificate of deposit), or similar accounts, which are usually evidenced by a passbook.

Line 22 — All other interest income from stocks, bonds, and other securities

Enter all other interest income received from stocks, bonds, and other securities not included on line 20. Attach a list of each stock, bond, and other security, and the amount of interest income received from each investment.

Line 23 — Dividend income from stocks, bonds, and other securities

Enter dividend income received from stocks, bonds, and other securities. Also include dividends from money market mutual funds. Attach a list of each stock, bond, and other security, and the amount of dividend income received from each investment.

Line 24 — Net capital gain or loss from stocks, bonds, and other securities

Enter any net capital gains or losses from the sale and exchange of securities. Attach a list of each stock, bond, and other security, and the amount of the net capital gain or loss from each investment.

Line 25 — Income from stocks, bonds, and other securities other than interest, dividends, capital gains, or capital losses

Enter all other items of income (other than interest, dividends, capital gains, or capital losses) from stocks, bonds, and other securities. Other items of income include, but are not limited to, premium income from an unexercised covered call option. Attach a list of each stock, bond, and other security, and the amount of the income from each investment.

Line 26 — Interest deductions directly attributable to stocks, bonds, and other securities

Enter the amount of **interest** deductions that are **directly** attributable to stocks, bonds, and other securities (or to the income, losses, or gains from stocks, bonds, and other securities). The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable include, but are not limited to, interest on debt incurred to buy stocks, bonds, and other securities. Attach a list of direct interest deductions for each investment.

Line 27 — Noninterest deductions directly attributable to stocks, bonds, and other securities

Enter the amount of **noninterest** deductions that are **directly** attributable to stocks, bonds, and other securities (or to the income, losses, or gains from these stocks, bonds, and other securities). Attach a list of direct noninterest deductions for each investment.

The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable to stocks, bonds, and other securities include, but are not limited to, the following:

— safe deposit box rentals
— financial news subscriptions
— salaries of employees engaged in the management and conservation of stocks, bonds, and other securities
— investment counsel fees
— custodian fees
— the cost of insurance and fidelity bonds
— expenses for legal advice relating to the acquisition of stocks, bonds, and other securities

Line 28 — Total interest deductions

Enter the total interest deductions included on federal Form 1065, line 15. Also include any separately stated interest deductions included on federal Form 1065, Schedule K, and not included on line 15 of such form.

Line 29 — Total noninterest deductions

Enter the total noninterest deductions included on federal Form 1065, line 21 (**excluding** federal Form 1065, line 15). Also include any separately stated noninterest deductions included on federal Form 1065, Schedule K, and not included on line 21 of such form.

Business allocation percentage information and Metropolitan Commuter Transportation District (MCTD) allocation percentage information

Line 30a — Mark an ***X*** in the *Yes* box if you did business, employed capital, owned or leased property, or maintained an office in New York State during the reporting year. For more information on doing business, employing capital, owning or leasing property, or maintaining an office, see Regulation section 1-3.2(b).

Line 30b — Mark an ***X*** in the *Yes* box if you did business, employed capital, owned or leased property, or maintained an office in the MCTD during the reporting year.

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

Lines 31 through 43

Enter the MCTD amounts in column A, the New York State amounts in column B, and the everywhere amounts in column C. When reading the instructions below, substitute *MCTD* for *New York State* to determine the MCTD amounts.

Average value of property

Average value of property 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.

Adjusted basis of real and tangible personal property owned means the adjusted basis of such properties for federal income tax purposes. *FMV of real and tangible personal property owned* means the price (without deduction of an encumbrance whether or not the partnership is personally liable) at which a willing seller will sell and a willing purchaser will buy.

Lines 31 and 32

Adjusted basis and FMV of real estate owned — Enter the average adjusted basis (line 31) and FMV (line 32) 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 by the partnership during construction. Include property or equipment under construction that is partially used in the regular course of business of the partnership only to the extent used.

Line 33 — Real estate rented

Enter the average value of rented real property. The value of rented real property is generally eight times the gross rent payable during the year covered by this return. *Gross rent* includes any amount payable as rent or in lieu of rent (such as taxes or repairs), and amortization of leasehold improvements that revert to the lessor at the end of the lease. The term *gross rent* does **not** include amounts payable as separate charges for water and electric service furnished by the lessor, and the portion of any rental payment which is applicable to the space subleased from the partnership and not used by it.

Lines 36 and 37

Tangible personal property of the partnership is considered to be within New York State if and so long as it is physically situated or located in New York State, even though it may be stored in a bonded warehouse. Property of the partnership held in New York State by an agent, consignee, or factor is considered to be situated or located within New York State.

Adjusted basis and FMV of tangible personal property owned — Enter the average adjusted basis (line 36) and FMV (line 37) 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 38 — Tangible personal property rented

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

Receipts in the regular course of business from:

Line 39 — Sales of tangible personal property

Enter the receipts from the sale of tangible personal property. Receipts from the sale of tangible personal property are allocable to New York State if:

— shipments are made to points in New York State; or

— the receipts are earned within New York State.

Receipts from the sale of tangible personal property are allocated to New York State if:

— The property is shipped via common carrier, contract carrier, or via the partnership's vehicle or other means of transportation, to a point in New York State. If the property is shipped to a point in New York State, it is presumed that the destination of the property is a point in New York State, unless the partnership has evidence that shows the property was shipped to a point outside New York State. It does not matter who arranges for the shipment of the property.

— The possession of the property is transferred to a purchaser or purchaser's designee at a point in New York State. If possession of the property is transferred in New York State, it is presumed that the destination of the property is a point in New York State, unless the partnership has evidence that shows that the destination of the property is a point outside New York State.

— The possession of the property is transferred to a purchaser or purchaser's designee at a point outside New York State, but the destination of the property is a point in New York State. If possession of the property is transferred outside New York State, it is presumed that the destination of the property is a point outside New York State, unless the partnership has evidence that shows that the destination of the property is a point in New York State.

Examples of types of evidence that demonstrate the destination of property include:

— A bill of lading or other shipping document designating the destination location, regardless of the free on board (FOB) point.

— A purchase invoice designating the destination location.

Receipts from the sale of works of art by an art merchant
The Arts and Cultural Affairs Law provides 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). Enter these receipts on line 39.

The law 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 or after August 9, 1995.

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

Line 40 — Services performed

Enter the receipts for services performed, which generally are based on where they are performed. The receipts from services performed in New York State are allocable to New York State. All receipts from such services are allocated to New York State, whether the services were performed by employees, agents or subcontractors of the partnership, or by any other persons. It is immaterial where such receipts are payable or where they are actually received. Commissions received by a partnership are allocated to New York State if the services for which the commissions were paid were performed in New York State. If the services for which the commissions were paid were performed for the partnership by salesmen attached to or working out of a New York State office of the partnership, the services will be deemed to have been performed in New York State.

Receipts from broadcasting and publishing — Partnerships engaged in broadcasting or the publication of newspapers and periodicals must allocate to New York State receipts from the sale of advertising, if 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 Receipts received from an investment company for the sale of management, administration, or distribution services must be allocated based on the domicile of the shareholders of the investment company (see Tax Law section 210.3(a)(6)(A)(ii)). For more information, see TSB-M-88(9)C, *Allocation of Receipts from Services Provided to a Regulated Investment Company (Mutual Fund) and Similar Investment Companies*.

Receipts earned by registered securities or commodities broker or dealer — The rules below apply for determining whether a receipt is deemed to arise from services performed in New York State by a registered securities or commodities broker or dealer.

A *registered securities or commodities broker or dealer* is a broker or dealer who is registered by the Securities and Exchange Commission (SEC) or the Commodities Futures Trading Commission, and includes over-the-counter (OTC) derivatives dealers as defined under regulations of the SEC (17 CFR 240.3b-12). The terms *securities* and *commodities* have the same meanings as the meanings in IRC sections 475(c)(2) and 475(e)(2).

- **Brokerage commissions —** Brokerage commissions earned from the execution of securities or commodities purchase, or sales orders for the accounts of customers are deemed to arise from a service performed in New York State if the customer who is responsible for paying the commissions is located in New York State.
- **Margin interest —** Margin interest earned on brokerage accounts is deemed to arise from a service performed in New York State if the customer who is responsible for paying the margin interest is located in New York State.
- **Account maintenance fees —** Account maintenance fees are deemed to arise from a service performed in New York State if the customer who is responsible for paying the account maintenance fees is located in New York State.
- **Income from principal transactions —** Gross income from principal transactions (that is, transactions in which the registered broker or dealer is acting as principal for its own account, rather than as an agent for the customer) are deemed to arise from a service performed in New York State if the production credits for these transactions are awarded to a New York State branch, office, or employee of the partnership.

  Registered broker dealers may elect to source the gross income from principal transactions based on the location of the customer to the principal transaction. If the election is made, gross income from principal transactions is deemed to arise from a service performed in New York State to the extent that the gross proceeds from the transactions are generated from sales of securities or commodities to customers within New York State based upon the mailing addresses of those customers in the records of the partnership. For additional information, see TSB-M-02(5)C, *Summary of Corporation Tax Legislative Changes Enacted in 2002*.
- **Fees from advisory services for the underwriting of securities —** Fees earned from advisory services for a customer in connection with the underwriting of securities (where the customer is the entity contemplating the issuance of the securities, or is issuing securities), or for the management of an underwriting of securities, are deemed to arise from a service performed in New York State if the customer responsible for paying the fee is located in New York State.
- **Receipts from the primary spread for the underwriting of securities —** Receipts from the primary spread or selling concession from underwritten securities are deemed to arise from a service performed in New York State, if production credits are awarded to a branch, office, or employee of the partnership in New York State as a result of the sale of underwritten securities.
- **Interest earned on loans to affiliates —** Interest earned on loans and advances made to an affiliate are deemed to arise from a service performed in New York State, if the principal place of business of the affiliate who is responsible for the payment of interest is located in New York State.
- **Fees for management or advisory services —** Fees earned from management or advisory services, including fees from advisory services for activities relating to mergers or acquisition activities, are deemed to arise from a service performed in New York State if the customer responsible for paying these fees is located in New York State.

A customer is *located in New York State* if the mailing address of the customer, as it appears in the broker's or dealer's records, is in New York State. For more information, see TSB-M-00(5)C, *Summary of Corporation Tax Legislative Changes Taking Effect in 2001 and After,* pages 6 through 8.

Air freight forwarders — Allocate receipts for services performed by air freight forwarders acting as principal and like indirect air carriers to New York State as follows:

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

Transporting or transmitting gas through pipes — Allocate receipts from the service of transporting or transmitting gas through pipes to New York State using the following formula:

$$\frac{\text{Miles of transportation units within NYS}}{\text{Miles of transportation units within and outside NYS}} \times \text{Receipts from the service of transporting or transmitting gas through pipes} = \text{Receipts from the service of transporting or transmitting gas through pipes allocated to NYS}$$

A *transportation unit* is the transportation of one cubic foot of gas over a distance of one mile.

Line 41 — Rentals of property

Enter the receipts from all property that was rented to others. Receipts from rentals of real and tangible personal property situated in New York State are allocated to New York State. Rental receipts include all amounts received for the use of, or occupation of property, whether or not such property is owned by the partnership. Gross receipts from real and tangible personal property that is subleased must be included.

Line 42 — Royalties

Enter the receipts of royalties. Receipts of royalties from the use in New York State of patents and copyrights are allocated to New York State. *Royalties* include all amounts received by the partnership for the use of patents or copyrights, whether or not such patents or copyrights were issued to or are owned by the partnership. A patent or copyright is used in New York State if the activities thereunder are carried on in New York State.

Line 43 — Other business receipts

Enter all other business receipts, allocated where earned. Business receipts are not considered to have been earned by the partnership merely because they were payable in New York State, or were actually received in New York State. See Regulation section 4-4.6.

Payroll

Line 44 — Wages and other compensation of employees, except employees having partnership-wide authority

In column A, enter the wages, salaries, and other compensation of employees (**excluding** employees having partnership-wide authority or having responsibility for an entire division of the partnership) located within **the MCTD**. Employees within the MCTD include all employees regularly connected with or working out of an office or other place of business you maintained within the MCTD, no matter where the services of the employees were performed.

In column B, enter the wages, salaries, and other compensation of employees (**excluding** employees having partnership-wide authority or having responsibility for an entire division of the partnership) located within **New York State**. 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.

In column C, enter the wages, salaries, and other compensation of employees (**excluding** employees having partnership-wide authority or having responsibility for an entire division of the partnership) located **everywhere**.

Line 45 — Number of employees

In column B, enter the total number of employees (**including** employees having partnership-wide authority, or having responsibility for an entire division of the partnership) located **within New York State** during the reporting period.

In column C, enter the total number of employees (**including** employees having partnership-wide authority, or having responsibility for an entire division of the partnership) located **everywhere** during the reporting period.

Gross payroll, gross assets, and receipts

Line 46 — Gross payroll everywhere

Enter the total wages, salaries, and other personal services compensation of all employees, (**including** employees having partnership-wide authority, or having responsibility for an entire division of the partnership), located everywhere.

Line 47 — Average value of gross assets everywhere

Average value of gross assets is the average FMV of real property and marketable securities plus all other property at the value shown on your books, in accordance with GAAP without reduction for liabilities.

Line 48 — Total receipts everywhere

Enter the business receipts from the sales of tangible personal property, services performed, rentals, royalties, receipts from the sales of rights for closed circuit and cable television transmissions, and all other business receipts received in the regular course of business both within and outside New York State.

Line 49 — Total receipts from the sale of goods by manufacturing

Enter the total receipts from the sale of goods produced by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.

Line 50 — Total receipts from the lending of funds

Enter the total receipts of interest from loans made by the partnership, and any net gain from the sale or redemption of notes or other evidences of indebtedness arising from such loans. Do not include return of principal or nonrecurring, extraordinary items.

Line 51 — Adjusted basis of qualified property

Enter the adjusted basis of qualified property at the close of the tax year. The term *qualified property* means property which:

- has a situs in New York State; and
- is principally used by the partnership in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.

Partnership's instructions for Form IT-204-CP
New York Corporate Partner's Schedule K-1

General information

Form IT-204-CP, *New York Corporate Partner's Schedule K-1,* should be provided to each corporate partner taxable under Article 9-A on or before the day on which the partnership return is required to be filed.

Corporate partners taxable under Article 9-A should obtain a copy of Form IT-204-CP-I, *Partner's Instructions for Form IT-204-CP* to help them report on their franchise tax return the items shown on their Form IT-204-CP.

Specific instructions

Partnership's information

On each Form IT-204-CP, enter the name and EIN of the partnership.

Partner's information

For the corporate partner for which you are completing this Form IT-204-CP, enter the partner's name, address, and EIN.

Item G

Enter the partner's share percentages as reported on federal Schedule K-1, item J.

Item H

Enter the partner's share of liabilities as reported on federal Schedule K-1, item K.

Item I

Enter the partner's capital account analysis as reported on federal Schedule K-1, item L. However, enter on lines 2 and 3 of item I, the amount of cash and property contributed by **that** corporate partner taxable under Article 9-A to the partnership as shown on New York State Form IT-204, Section 6, lines 76 and 77. Enter on line 5 of item I, the amount of withdrawals and distributions of cash to **that** corporate partner taxable under Article 9-A, from Form IT-204, Section 6, line 81. Enter on line 6 of item I, the amount of withdrawals and distributions of property made to **that** partner from Form IT-204, Section 6, line 82.

Item J

If this corporate partner submitted a Form CT-2658-E, *Certificate of Exemption from Partnership Estimated Tax Paid on Behalf of Corporate Partners,* that is **valid** for 2007, mark an ***X*** in the *Yes* box. If the *Yes* box is marked, do not complete item K.

Item K

Enter the amount of estimated tax paid on behalf of the partner from Form(s) CT-2658 on lines K1 through K4, and the total amount paid on line K. If you need more space to report payments, attach a separate sheet showing all relevant prepayment information. Transfer the total shown on the attached sheet to item K.

Partner's distributive share and proportionate part

A partner's *distributive share* of any item of income, gain, loss, deduction, or credit shall generally be determined by the partnership agreement (see IRC section 704(a)). However, IRC section 704(b) provides that if (1) the partnership agreement does not specify the partner's distributive share of such item, or (2) the allocation of such items to a partner under the partnership agreement does not have substantial economic effect, then a partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) must be determined in accordance with the partner's interest in the partnership, determined by taking into account all of the facts and circumstances.

A corporate partner's *proportionate part* of the partnership's assets, liabilities, and activities is generally determined in accordance with the corporate partner's capital interest in the partnership. For more information see Regulation Section 3-13.3(a)(2).

Partner's share of entire net income (ENI) and minimum taxable income (MTI) information

The ENI and MTI modifications listed on pages 16 and 17 of these instructions must be added to or subtracted from each corporate partner's federal taxable income in arriving at the corporate partner's ENI and MTI.

Lines 1 through 11

For the corporate partner, enter its distributive share of the ENI and MTI modifications listed on Form IT-204.1 on the corresponding lines of Form IT-204-CP.

Line 7 — Other additions

For the corporate partner, enter its distributive share of the other addition modifications listed on Form IT-204.1. Enter in the *Identify* box any applicable *other additions* by *EA* number, and list the amount of each addition. Provide the total amount of other additions on line 7.

Line 11 — Other subtractions

For the corporate partner, enter its distributive share of the other subtraction modifications listed on Form IT-204.1. Enter in the *Identify* box any applicable *other subtractions* by *ES* number, and list the amount of each subtraction. Provide the total amount of other subtractions on line 11.

Partner's proportionate part of assets and liabilities

Lines 12 through 15

Enter the corporate partner's proportionate part of the assets and liabilities listed on the corresponding lines of Form IT-204.1.

Enter the average New York State amount in column A, line 12, and the average everywhere amount in column B, lines 12 through 15.

Partner's proportionate part of stocks, bonds, and other securities

Lines 16 through 19

Enter the corporate partner's proportionate part of stocks, bonds, and other securities listed on the corresponding lines of Form IT-204.1.

You must provide the corporate partner with a breakdown of these items by individual stocks, bonds, and other securities, in order for the corporate partner to properly determine if the stock, bond, or other security is subsidiary capital, investment capital, or business capital.

Partner's share of income from stocks, bonds, and other securities

Lines 20 through 29

Enter the corporate partner's distributive share of income from stocks, bonds, and other securities listed on the corresponding lines of Form IT-204.1.

You must provide the corporate partner with a breakdown of these income items by individual stocks, bonds, and other securities, in order for the corporate partner to determine if the income is from subsidiary capital, investment capital, or business capital.

Partner's share and proportionate part of the business allocation percentage information and Metropolitan Commuter Transportation District (MCTD) allocation percentage information

Line 30a — Mark an ***X*** in the *Yes* box if you did business, employed capital, owned or leased property, or maintained an office in New York State during the reporting year. For more information on doing business, employing capital, owning or leasing property, or maintaining an office, see Regulation section 1-3.2(b).

Line 30b — Mark an ***X*** in the *Yes* box if you did business, employed capital, owned or leased property, or maintained an office in the MCTD during the reporting year.

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

Average value of property

Lines 31 through 38

Enter the corporate partner's distributive share or proportionate part of the partnership's real and tangible personal property, owned or rented during the applicable partnership year.

If you leased or rented real or tangible personal property **from** the corporate partner, eliminate these inter-entity rental expenses from the corporate partner's distributive share of real or tangible personal property rented. See Regulation sections 4-6.5(a)(2)(i) and 4-6.5(a)(3), *Example 1.*

Enter the MCTD amounts in column A, the New York State amounts in column B, and the total amounts in column C.

Receipts in the regular course of business from:

Lines 39 through 43

Enter the corporate partner's distributive share of the partnership's business receipts during the applicable partnership year.

If you have receipts from sales to the corporate partner, eliminate these inter-entity receipts from the corporate partner's distributive share of the partner's business receipts. See Regulation sections 4-6.5(a)(2)(ii) and 4-6.5(a)(3), *Example 4.*

Enter the MCTD amounts in column A, the New York State amounts in column B, and the total amounts in column C.

Payroll

Line 44 — Enter the corporate partner's distributive share of the wages, salaries, and other compensation paid by the partnership to its employees (**excluding** employees of the partnership having partnership-wide authority, or having responsibility for an entire division of the partnership).

Enter the MCTD amounts in column A, the New York State amounts in column B, and the total amounts in column C.

Line 45 — Enter the corporate partner's proportionate part of the number of employees.

Enter the New York State amounts in column B and the total amounts in column C.

Partner's share and proportionate part of gross payroll, gross assets, and receipts

Lines 46 through 51

Enter the corporate partner's distributive share of gross payroll and receipts and the proportionate part of gross assets, from Form IT-204.1 on the corresponding lines of this form.

Partner's share of New York modifications (for New York S corporations only)

You must report to each S corporation partner any of the modifications listed on pages 5 through 10 of these instructions. These modifications must be added to or subtracted from the S corporation shareholder's federal adjusted gross income or federal itemized deductions on their New York State personal income tax return, in arriving at total New York income and New York itemized deduction, respectively. The S corporation must report this information to its shareholders on Form CT-34-SH.

Line 52 — New York State additions

Enter in column A on lines 52a through 52f the partner's distributive share of the total amount for each addition modification reported on Form IT-204, lines 107a through 107f. Each addition modification is designated by the letters *EA*. Be sure to enter the corresponding number of the addition next to the letters *EA*. If you are reporting more than six addition modifications for the partner, attach a separate schedule.

Line 53 — Enter the column A total of lines 52a through 52f and any attached schedule (if more than six addition modifications) on line 53.

Line 54 — New York State subtractions

Enter in column A on lines 54a through 54f the partner's distributive share of the total amount for each subtraction modification reported on Form IT-204, lines 109a through 109f. Each subtraction modification is designated by the letters *ES*. Be sure to enter the corresponding number of the subtraction next to the letters *ES*. If you are reporting more than six subtraction modifications for the partner, attach a separate schedule.

Line 55 — Enter the column A total of lines 54a through 54f and any attached schedule (if more than six subtraction modifications) on line 55.

Line 56 — Additions to federal itemized deductions

Enter in the *Amount* column on lines 56a through 56f the partner's distributive share of the total amount of each addition modification reported on Form IT-204, lines 111a through 111f. Be sure to enter the corresponding letter for each addition in the *Letter* box.

Line 58 — Subtractions from federal itemized deductions

Enter in the *Amount* column on lines 58a through 58f the partner's distributive share of the total amount of each subtraction modification reported on Form IT-204, lines 113a through 113f. Be sure to enter the corresponding letter for each subtraction in the *Letter* box.

Line 60 — New York adjustments to tax preference items

Enter the partner's distributive share of the total amount of New York adjustments to federal tax preference items from Form IT-204, line 116.

Partner's share of income, deductions, etc.

Lines 61 through 78

Transfer the amounts from the corporate partner's federal Form 1065, Schedule K-1. However, for line 19 of federal Form 1065, Schedule K-1, determine the portion of line 19 that represents distributions of cash and marketable securities, and distributions of other property, and enter those amount(s) on line 76 and line 77 of Form IT-204-CP respectively. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on each specific line.

Partner's credit information

Brownfield redevelopment tax credit

Line 79 — Enter the partner's distributive share of the site preparation credit component from Form IT-204, line 127.

Line 80 — Enter the partner's distributive share of the tangible property credit component from Form IT-204, line 128.

Line 81 — Enter the partner's distributive share of the on-site groundwater remediation credit component from Form IT-204, line 129.

EZ capital tax credit

Line 82 — Enter the partner's distributive share of credit for investments in certified EZ businesses from Form IT-204, line 130.

Line 83 — Enter the partner's distributive share of credit for the contributions of money to EZ community development projects from Form IT-204, line 131.

Line 84 — Enter the partner's distributive share of a recapture of credit for investments in certified EZ businesses from Form IT-204, line 132.

Line 85 — Enter the partner's distributive share of a recapture of credit for contributions of money to EZ community development projects from Form IT-204, line 133.

QEZE tax reduction credit

Lines 86 through 88

Enter the QEZE employment increase factor, QEZE zone allocation factor, and QEZE benefit period factor from Form IT-204, lines 134 through 136.

QETC facilities, operations, and training credit

Line 89 — Enter the partner's distributive share of the research and development property credit component from Form IT-204, line 137.

Line 90 — Enter the partner's distributive share of the qualified research expenses credit component from Form IT-204, line 138.

Line 91 — Enter the partner's distributive share of the qualified high-technology training expenditures credit component from Form IT-204, line 139.

Farmers' school tax credit

Line 92 — Enter the partner's distributive share of acres of qualified agricultural property from Form IT-204, line 140.

Line 93 — Enter the partner's distributive share of acres of qualified conservation property from Form IT-204, line 141.

Line 94 — Enter the partner's distributive share of eligible school district property taxes paid by the partnership from Form IT-204, line 142.

Line 95 — Enter the partner's distributive share of acres of qualified agricultural property converted to nonqualified use from Form IT-204, line 143.

Other pass-through credit bases and factors

Lines 96a through 96f

Investment tax credit — If you entered code 212 on Form IT-204, lines 144a through 144f, enter code ***212*** and the partner's proportionate part of the investment tax credit base (excluding R&D property) of such amount, and enter code ***218*** and the partner's proportionate part of the R&D investment tax credit base.

EZ investment tax credit — If you entered code 163 on Form IT-204, lines 144a through 144f, enter code ***163*** and the amount of the partner's proportionate part of the EZ investment tax credit base.

FSI investment tax credit — If you entered code 252 on Form IT-204, lines 144a through 144f, enter code ***252*** and the amount of the partner's proportionate part of the FSI investment tax credit base.

FSI EZ investment tax credit — If you entered code 165 on Form IT-204, lines 144a through 144f, enter code ***165*** and the amount of the partner's proportionate part of the FSI EZ investment tax credit base.

If you were a shareholder in a C corporation that has a special gross income from farming election, enter the code and the partner's distributive share of the amount on lines 96a through 96f as reported on Form IT-204, lines 144a through 144f.

Lines 96g through 96l

If you are filing multiple Forms IT-604, *Claim for QEZE Tax Reduction Credit,* enter the code and the partner's credit factors on lines 96g through 96l as reported on Form IT-204, lines 144g through 144l.

Line 97 — If you reported a long-term care insurance credit on line 145 of Form IT-204, enter code ***249*** and the partner's distributive share of that amount.

For all other credits, you must enter the 3-digit code number identifying each credit and the partner's distributive share of that credit from Form IT-204, lines 147a through 147h.

Line 98 — For all other addbacks of credits and recaptures, you must enter the 3-digit code number identifying each addback or recapture and the partner's distributive share of that addback or recapture from Form IT-204, lines 148a through 148f.

Partnership's instructions for Form IT-204-ATT
Partners' Identifying Information

General information

If you choose to complete and submit Form IT-204-ATT with your partnership return instead of submitting Forms IT-204-IP and IT-204-CP (see *2007 attachment options* on page 1), follow these instructions for completing Form IT-204-ATT. Do not submit Form IT-204-ATT if you are submitting Forms IT-204-IP and IT-204-CP.

Specific instructions

Complete Form IT-204-ATT, *Partners' Identifying Information,* by entering the legal name and employer identification number of the partnership as shown on Form IT-204. In column A, provide each partner's name and address as it appears on federal Schedule K-1. In the second column, B/C, enter the partner's social security number **or** employer identification number, and the ownership percentage in the partnership at the end of the year. Round the percentage to two decimal places. The total of these ownership percentages might not equal 100%. If a partner's ownership interest was terminated during the year, enter the percentages that existed immediately before the termination. Mark an ***X*** in the applicable residency status box(es) in column D. Use the partner's physical residence, not mailing address, in determining resident status. Mark an ***X*** in the box in column E to indicate the entity type of each partner, if any.

If the nonresident individual or corporate partner submitted a Form IT-2658-E, *Certificate of Exemption from Partnership or New York S Corporation Estimated Tax Paid on Behalf of Nonresident Individual Partners or Shareholders,* or Form CT-2658-E, *Certificate of Exemption from Partnership Estimated Tax Paid on Behalf of Corporate Partners,* that is valid for 2007, mark an ***X*** in the box in column F. If the partner is a resident individual partner, another partnership, or an estate or trust, leave column F blank.

Note: For partners that are a corporation or another partnership, do not complete column D.

Mark an ***X*** in the appropriate box in column E. The following definitions have been provided to help you determine which box to mark, if any.

A *New York State corporation* is a corporation formed under the laws of New York.

A *foreign corporation* is a corporation formed outside of New York.

A *partnership,* as defined in IRC section 761, includes a syndicate, group, pool, joint venture, or other unincorporated organization through or by means of which any business, financial operation or venture is carried on, and which is not a corporation or an estate or trust.

An *estate* is a legal entity created to wind up the decedent's affairs, pay debts, expenses, and taxes, and ultimately distribute the property and any accumulated income to those persons entitled to receive them.

A *trust* is a legal arrangement whereby one party, the trustee(s), holds legal title to the property for the benefit of another party or parties, the beneficiaries.

A *single-member LLC (SMLLC)* may choose to be taxed as a corporation or to be disregarded as an entity for federal income tax purposes. If the LLC is disregarded and the single member is an individual, the LLC will be treated as a sole proprietorship for New York personal income tax purposes. If the LLC is disregarded and the single member is a corporation, the LLC will be considered part of the corporation for New York corporate franchise tax purposes.

Note: An LLC with more than one member that is a disregarded entity for federal income tax purposes would mark an ***X*** in the partnership box.

This information must be completed for each partner that was a member of the partnership at any time during the tax year. However, if you are filing a return specifically because you have a New York resident partner, you need only list the resident partners. See *Specific instructions* beginning on page 4. The number of partners listed on Form IT-204-ATT may not necessarily agree with the number of partners in the partnership.

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 5-a, 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*
Access our Answer Center for answers to frequently asked questions; check your refund status; check your estimated tax account; download forms, publications; get tax updates and other information.

Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week. 1 800 748-3676

Telephone assistance is available from 8:00 A.M. to 5:00 P.M. (eastern time), Monday through Friday.

Refund status: 1 800 443-3200
(Automated service for refund status is available 24 hours a day, 7 days a week.)

To order forms and publications: 1 800 462-8100

Personal Income Tax Information Center: 1 800 225-5829

From areas outside the U.S. and outside Canada: (518) 485-6800

Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. 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 1 800 225-5829.