



Instructions for Forms CT-3-S, CT-4-S, and CT-3-S-ATT

New York S Corporation Franchise Tax Return and Attachment

Tax Law — Articles 9-A and 22

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General information

Changes affecting the year 2000 return

Chapter 407 of the laws of 1999 and Chapter 63 of the laws of 2000 brought many changes to Article 9-A of the New York State Tax Law. In addition, the Commissioner of Taxation and Finance adopted amendments to the receipts factor of the business allocation percentage.

Receipts factor — On July 12, 2000, the Commissioner of Taxation and Finance adopted amendments to section 4-4.2 of the Business Corporation Franchise Tax regulations under Article 9-A of the Tax Law, which apply to the receipts factor of the business allocation percentage (see the instructions for lines 8 and 9 of Form CT-3-S-ATT). The amendments apply to taxable years beginning on or after January 1, 2000.

Gross receipts tax reform — The section 186 gross receipts tax on utility corporations has been repealed (with an exception for certain co-generation facilities having total output contracts). Effective January 1, 2000, utility corporations are subject to tax under Article 9-A. Sections 208.9(c-2) and (c-3) provide modifications to entire net income for qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations (see the instructions for Schedule E on Form CT-3-S-ATT).

Homeowners associations — For periods beginning on or after January 1, 2000, a qualified homeowners association having no federal taxable income will no longer be subject to the fixed dollar minimum tax under Article 9-A.

Provisions relating to the federal Gramm-Leach-Bliley Act — A banking corporation that was in existence before January 1, 2000, and was subject to tax under Article 32 during 1999 remains taxable under Article 32 for all tax years beginning on or after January 1, 2000, and before January 1, 2001.

Corporations that were in existence before January 1, 2000, and were subject to tax under Article 9-A during 1999 remain taxable under

Article 9-A for all tax years beginning on or after January 1, 2000, and before January 1, 2001.

A corporation formed on or after January 1, 2000, but before January 1, 2001, may elect to be subject to either Article 9-A or Article 32 of the Tax Law. The election must be made on or before the due date for filing its franchise tax return, determined with regard to extensions of time for filing. The election is irrevocable, and may be made by filing a franchise tax return under Article 9-A or Article 32 for the tax year. This election may be made if the corporation:

- Is a financial subsidiary, **or**
- Meets the following requirements:
 - 65% or more of the corporation's voting stock is owned or controlled, directly or indirectly, by a financial holding company; and
 - the corporation is principally engaged in activities that are described in section 4(k)4 or 4(k)5 of the federal Bank Holding Company Act of 1956, as amended, or described in any regulations or orders promulgated under the authority of that section.

A *financial subsidiary* is a corporation whose voting stock is 65% or more owned or controlled, directly or indirectly, by a national bank described in section 5136A(g) of the revised Statutes of the United States (12 USCS section 24a) or a state bank described in section 46 of the Federal Deposit Insurance Act (12 USCS section 1831w), that is a member of the federal reserve system or is insured by the Federal Deposit Insurance Corporation.

A *financial holding company* is a corporation that under subsection (1) of section 4 of the federal Bank Holding Company Act of 1956, as amended (12 USCS section 1843(1)), has filed with the Federal Reserve Board a written declaration that elects to be a financial holding company and whose election has not been found to be ineffective by the Federal Reserve Board.

For additional information see sections 1452(h) and 1462(f)(iv) of the Tax Law.

Industrial or manufacturing business credit — A new credit will be available for taxable years ending after January 1, 2000. The industrial

or manufacturing business (IMB) credit will be allowed to an S corporation's shareholders against the tax imposed under Article 22. This credit is equal to the sum of taxes imposed under sections 186-a, 186-c, 189, or 189-a for gas, electric, steam, water, or refrigeration services used or consumed in New York State and which were paid by or passed through to the S corporation IMB on or after January 1, 2000.

Economic Development Zone — The New York State Empire Zones Program Act made changes to the Economic Development Zone Program. All references to the term *Economic Development Zone* are changed to *Empire Zone* and all references to the term *EDZ* are changed to *EZ*.

Rates — The S corporation tax rates on entire net income and the fixed dollar minimum tax continue to decline as prescribed by Chapter 56 of the Laws of 1998. See the tax rate schedule on page 4.

Which form to file — The reduction in tax rates and fixed dollar minimum taxes enacted in 1998 has caused the filing criteria for Form CT-4-S to change. The entire net income filing threshold, which was \$80,000 or less, has been restored to \$200,000 or less. For additional information see *Which form to file* below.

Visit our Web site

For up-to-the-minute information on New York State tax matters that may affect your New York State tax return, visit our Web site at www.tax.state.ny.us.

Who must file

An S corporation is a small business corporation whose shareholders have made an election to be taxed under personal income tax law, rather than corporation tax law, as permitted under Subchapter S of Chapter One of the Internal Revenue Code (IRC). Federal S corporations subject to Article 9-A of the Tax Law may make the same election for New York State, called a *New York S election*, by filing Form CT-6, *Election by a Federal S Corporation to be Treated as a New York S Corporation*. This includes both corporations organized under New York State law and foreign corporations (those organized under the laws of any other state) that do business, employ capital, own or lease property, or maintain an office in New York State.

A corporation that has elected to be treated as a New York S corporation (by filing Form CT-6) must file either Form CT-3-S or Form CT-4-S, *New York S Corporation Franchise Tax Return*, instead of Form CT-3 or Form CT-4.

Combined returns

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

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

Foreign corporations authorized to do business but disclaiming tax liability

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

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

Qualified subchapter S subsidiary (QSSS)

The filing requirements for a QSSS that is owned by a New York S corporation or a nontaxpayer corporation are outlined below. Where New York follows federal QSSS treatment, the parent and QSSS file a single franchise tax return. The QSSS is ignored as a separate taxable entity, and the assets, liabilities, income, and deductions of the QSSS

are included on the parent's franchise tax return. However, for other taxes such as sales and excise taxes, and the license and maintenance fees imposed under Article 9, the QSSS continues to be recognized as a separate corporation.

- A. **Parent is a New York S corporation** — New York State will follow the federal QSSS treatment. The parent and QSSS are taxed as a single New York S corporation and file Form CT-3-S or CT-4-S.
- B. **Nontaxpayer parent** — New York State follows the federal QSSS treatment where the QSSS is a New York State taxpayer but the parent is not, if the parent elects to be taxed as a New York S corporation by filing Form CT-6. The parent and QSSS are taxed as a single New York S corporation and file Form CT-3-S or CT-4-S on a joint basis. If the parent does not elect to be a New York S corporation, the QSSS must file as a New York C corporation on a stand-alone basis on Form CT-3 or CT-4.
- C. **Exception: excluded corporation** — Notwithstanding the above rules, QSSS treatment will not be allowed unless both parent and QSSS are general business corporations. That is, the corporations will have to file on a stand-alone basis if one is an Article 9-A taxpayer but the other is an Article 9, 32, or 33 taxpayer, or is a corporation which would be subject to such taxes if taxable in New York State.

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

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

Which form to file

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

- For tax years beginning after June 30, 1999, your entire net income is \$200,000 or less.
- Your gross payroll is \$250,000 or less.
- Your tax year is a 12-month year.
- You are not terminating your election to be a New York S corporation.
- You have no investment capital.
- You do not allocate business income within and outside New York State.
- You do not claim any tax credits or tax credit recaptures.
- You do not claim a net operating loss deduction.
- You do not have subsidiary capital.
- You do not have an addition to federal taxable income shown on Form CT-3-S, line 7 (see instructions on pages 8 and 9).
- You do not have subtraction S-1, S-3, S-4, S-5, S-6, or S-7 shown on Form CT-3-S, line 14 (see instructions on pages 9 and 10).
- You qualify as a small business taxpayer (see below).

If you file Form CT-4-S, attach:

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

If you file Form CT-3-S, attach:

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

Small business taxpayers — A corporation qualifies as a small business taxpayer (Tax Law, section 210.1(f)) if:

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

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

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

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

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

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

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

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

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

Other forms you may require

Form CT-400, *Estimated Tax for Corporations*, must be filed if your New York State franchise tax liability can reasonably be expected to exceed \$1,000.

If this expectation arises before the first day of the sixth month of your tax year, file this declaration on or before the 15th day of the sixth month of the tax year. Include with it a payment of one-third of the estimated tax liability. If you made an initial payment with the preceding year's tax return or applied an overpayment of the tax from that return, deduct this amount from the estimated tax before computing the one-third payment. Additional one-third payments are due on the 15th day of the ninth and 12th months. If you report for the calendar year, file a declaration of estimated tax on June 15, September 15, and December 15. If this expectation arises after the first day of the sixth month of your tax year, see 20 NYCRR 7-2.3 to determine your estimated tax payments.

Form CT-399, *Depreciation Adjustment Schedule*, must be used by each corporation to compute the allowable New York State depreciation deduction if it claims the federal Accelerated Cost Recovery System

(ACRS) depreciation or Modified Accelerated Cost Recovery System (MACRS) deduction for certain property placed in service after December 31, 1980.

This form also contains schedules for determining a New York State gain or loss on the disposition of ACRS or MACRS property.

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

Form DTF-95, *Business Tax Account Update* — If there have been any changes in the corporation's business name, identification number, mailing address, business address, telephone number, or owner/officer information, and you have not previously notified us, complete Form DTF-95, *Business Tax Account Update*.

If you don't have a form, refer to *Need help?* on page 19 for information on ordering forms.

When to file

File your return within 2½ months after the end of your reporting period. If your filing date falls on a Saturday, Sunday, or legal holiday, file your return on or before the next business day.

Private delivery services — If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return. However, if, at a later date, you need to establish the date you filed your return, 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 19 of these instructions for information on ordering forms and publications.) If you use **any** private delivery service, whether it is a designated service or not, address your return to: **State Processing Center, 431C Broadway, Albany NY 12204-4836**.

Extension

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

Where to file

Mail returns to: **NYS Corporation Tax, Processing Unit, PO Box 1909, Albany NY 12201-1909**.

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

Additional forms and taxes that may apply to you

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

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

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

Form CT-3360, *Federal Changes to Corporate Taxable Income*, must be used to report any correction made by the Internal Revenue

Service (IRS) in taxable income previously reported for any year, including changes based on the renegotiation of a government contract.

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

Form CT-33-D, Tax on Premiums Paid or Payable to an Unauthorized Insurer, must be filed if you purchased or renewed a taxable insurance contract that covers risks located in New York State from an insurer not authorized to transact business in New York State. This return must be filed within 60 days following the end of the calendar quarter in which the contract was purchased or renewed. (See TSB-M-90(9)C for more information.)

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

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

Form CT-189, Tax on Importation of Gas Services — Article 9, section 189, imposes a tax on gas importers who import, or cause to be imported, gas for their own use. The tax is computed at the rate of 2.1% of the consideration given for the gas. (See TSB-M-91(5)C and TSB-M-97(3)C for more information.)

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

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

Overview of corporation franchise tax

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

Tax rates — Tax rate schedule for New York S corporations that **do not qualify** as small business taxpayers:

	Tax rate for tax years beginning after June 30, 1999, and before July 1, 2000	Tax rate for tax years beginning after June 30, 2000, and before July 1, 2001
Entire net income base	8.5%	8%
Article 22 tax equivalent reduction	7.525%	7.175%

Tax rate schedule for New York S corporation that **qualify** as small business taxpayers:

	Tax rate for tax years beginning after June 30, 1999, and before July 1, 2003
Entire net income base	7.5%
Article 22 tax equivalent reduction	1. 7.45% of 1st \$200,000; plus 2. 6.85% of amount over \$200,000, but not over \$250,000; plus 3. 3.85% of amount over \$250,000, but not over \$290,000

Fixed dollar minimum tax for New York S corporations applies to both:

- New York S corporations that do not qualify as small business taxpayers; and
- New York S corporations that qualify as small business taxpayers.

For a New York S corporation with a gross payroll of:	Tax amounts for tax years beginning after June 30, 1999
\$250,000 or less	100 *
\$500,000 or less but more than \$250,000	225 *
\$1,000,000 or less but more than \$500,000	325
Less than \$6,250,000 but more than \$1,000,000	425
\$6,250,000 or more	\$1,500

* Foreign authorized corporations: If the total of your tax is less than \$300, you must increase your payment accordingly to satisfy the \$300 maintenance fee requirement.

Short periods — proration of fixed dollar minimum tax

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

Period	Percent reduction
Not more than six months	50%
More than six months but not more than nine months	25%
Over nine months	none

Penalties and interest

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

Late payment – interest — If you do not pay the tax due on or before the original due date, you must pay interest on the amount of underpayment from the original due date (without regard to any extension of time for filing) of the return to the date the tax is paid. Exclude from the interest computation any amount representing the first installment of estimated tax for next period. Interest is always due, without any exceptions, on any underpayment of tax. An extension of time for filing does not extend the due date for payment of tax.

Late filing and late payment – additional charges — Compute additional charges for late filing and late payment on the amount of tax minus any payment made on or before the due date (**with** regard to any extension of time for filing). Exclude from the penalty computation any amount representing the first installment of estimated tax for the next period.

- A. If you do not file a return when due or if the request for extension is invalid, add to the tax 5% per month, up to a total of 25% (section 1085(a)(1)(A)).
- B. If you do not file a return within 60 days of the due date, the additional charge in item A cannot be less than the smaller of \$100 or 100% of the amount required to be shown as tax (section 1085 (a)(1)(B)).
- C. If you do not pay the tax shown on a return, add to the tax ½% per month, up to a total of 25% (section 1085 (a)(2)).
- D. The total of the additional charges in items A and C may not exceed 5% for any one month except as provided for in item B (section 1085 (a)).

If you think you are not liable for these additional charges, attach a statement to the return explaining the delay in filing, payment, or both (section 1085).

Note: If you wish, we will compute the interest and penalty for you. Call the Business Tax Information Center at 1-800-972-1233.

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

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

Penalty for failure to provide information relating to your issuer's allocation percentage (applicable for Form CT-3-S only) — Section 1085(o) of the Tax Law provides for a penalty of \$500 for failure to provide information needed to compute issuer's allocation percentages. Compute the issuer's allocation percentage on Form CT-3-S-ATT, Schedule B.

Civil and criminal penalties — Strong civil and criminal penalties may be imposed for negligence or fraud. For more information contact the Taxpayer Assistance Bureau (see *Need help?* on page 19 for address and telephone numbers).

Termination of business

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

- Voluntary dissolution of a New York corporation (New York Business Corporation Law sections 1001 through 1003).
- Surrender of authority by a foreign corporation (New York Business Corporation Law section 1310).
- Merger or consolidation (New York Business Corporation Law sections 904, 905, and 907).
- Disposition of assets of a New York corporation (New York Business Corporation Law section 909(d)).
- Termination of existence of a foreign corporation (New York Business Corporation Law section 1311).
- Liquidation under Internal Revenue Code (IRC sections 332, 333, 334, and 337).

See *Voluntary dissolution and surrender of authority and liability for taxes and fees* below and also Publication 110, *Information and Instructions for Termination of Business Corporations*, for the proper procedures to follow in terminating your business.

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

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

Foreign authorized corporations: see page 2 of these instructions, or refer to Form CT-245 if you are disclaiming tax liability but want to continue to be authorized to do business in New York State.

Do not check the *Final return* box if you are only changing the type of return that you file (such as from CT-3 to CT-3-S, or from CT-4-S to CT-3-S).

Voluntary dissolution and surrender of authority and liability for taxes and fees — A domestic corporation (incorporated in New York State) is generally liable for corporate franchise taxes for each fiscal or calendar year, or part thereof, during which it is incorporated, regardless of whether it carries on any activity. For example, a person who intends to go into business organizes a new corporation under the New York Business Corporation Law for the purpose of operating the new business as a corporation. However, the business is never started

and the corporation never conducts any business. Under the circumstances, the corporation would usually be liable for franchise taxes for each taxable year until it is formally dissolved with the Department of State.

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

The procedure for obtaining a consent to voluntary dissolution and surrender of authority, and the forms that are required to be filed with the department are set forth in Publication 110. You can request this information by calling the Business Tax Information Center (see *Need help?* on page 19 for telephone number.)

Reminders

Mailing label, employer identification number, file number, and other identifying information — Use the mailing label provided by the Tax Department. The preprinted mailing label contains the taxpayer account identification information necessary for correct and effective processing of your tax return.

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

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

For us to process your corporation tax forms, it is important that we have the necessary identifying information from your preprinted label.

Keep a record of the label information for future use. Please include your employer identification number and file number on each corporation tax form mailed.

These numbers can be copied directly from the label.

Employer ID number	File number
Name	
Number and street	
City and town	State ZIP code

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

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

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

Use of reproduced and computerized forms — Photocopies of returns are acceptable if they are of good quality and have an original signature in the proper place.

Computer-produced corporation tax returns will be accepted if they meet our printing specifications. For more information see

Publication 76, *Specifications for Reproduction of New York State Corporation Tax Forms*.

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

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

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

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

Line instructions for Form CT-4-S

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

Percentages — When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Percentages should be carried out to four decimal places. For example: $5,000/7,500 = 0.6666666 = 66.6667\%$.

Negative amounts — Show any negative amounts in parentheses.

Reporting period — Your tax year for New York State must be the same as your federal income tax year. If you are a calendar-year filer, check the box in the upper right corner on the front of the form. If you are a fiscal-year filer, complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

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

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

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

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

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

- Dividend income from federal Form 1120, line 4.

- Interest income from federal Form 1120, line 5.
- Gross rental income from federal Form 1120, line 6.
- Gross royalty income from federal Form 1120, line 7.
- Capital gain net income from federal Form 1120, line 8.
- Charitable contribution deductions from federal Form 1120, line 19.

Line 2 — Enter all interest received or accrued from federal, state, municipal, and other obligations that was exempt from taxation on your federal income tax return and is, therefore, not included on line 1. You may deduct from this amount any expenses attributable to that interest but denied deductibility under IRC section 265. Attach a list of items included on this line.

Line 3 — Enter the amount deducted on your federal return for New York taxes imposed under Article 9-A, Article 32, or sections 183, 183-a, 184, and 184-a of Article 9. Include the amount deducted for taxes paid or accrued to the United States, its possessions, other U.S. states, their political subdivisions, any foreign country, and the District of Columbia, if 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. However, do not include New York City taxes.

Line 4 — Use this line if:

- Your federal depreciation this year includes a deduction for property placed in service after 1980 in a taxable year beginning before 1985, or
- Your federal depreciation deduction this year includes a deduction for property placed in service outside New York in taxable years beginning after 1984 and before 1994, and you choose to continue New York depreciation uncoupling by using IRC section 167 depreciation as your New York depreciation deduction (see TSB-M-99(1)C), or
- You disposed of property this year that was placed in service after 1980, and the New York depreciation deduction on the property was at any time uncoupled from the federal depreciation deduction.

If this line applies, complete Form CT-399. Enter the amount of your federal Accelerated Cost Recovery System (ACRS) or Modified Accelerated Cost Recovery System (MACRS) deduction that must be added back to federal taxable income from Form CT-399, line 8, or, if you disposed of property this year, use the amount from line 16, column A of Form CT-399. Enter your recomputed New York deduction on line 6.

Line 6 — Use this line if:

- Your federal depreciation this year includes a deduction for property placed in service after 1980 in a taxable year beginning before 1985, or
- Your federal depreciation deduction this year includes a deduction for property placed in service outside New York State in taxable years beginning after 1984 and before 1994, and you choose to continue New York depreciation uncoupling by using IRC section 167 depreciation as your New York depreciation deduction (see TSB-M-99(1)C), or
- You disposed of property this year which was placed in service after 1980, and the New York depreciation deduction on the property was at any time uncoupled from the federal depreciation deduction.

If this line applies, in place of the disallowed ACRS or MACRS deduction entered on line 4, enter the amount from Form CT-399, line 9, column I, or, if you disposed of property this year, enter the amount from line 16, column B. Attach Form CT-399.

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

line 3. Do not include any refund or credit of New York City franchise taxes.

Line 9 — Subtract line 8 from line 5. This is your entire net income. If your entire net income is over \$200,000, do not continue; you must file Form CT-3-S.

Tax computation

Lines 10 — If your gross payroll is \$250,000 or less, enter \$100 on line 10. If your gross payroll is over \$250,000, do not continue; you must file Form CT-3-S.

Foreign authorized corporations: Since your tax is less than \$300, you must increase your payment to satisfy the \$300 maintenance fee requirement.

Lines 13 and 14 — If you are not filing this return on time you must pay interest and additional charges. See *Penalties and interest* on page 4.

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

Line 18 Unrequested refunds to be credited forward — If the corporation overpays its tax, it will not automatically receive a refund. Instead, we will credit your overpayment to the following tax year unless you indicate a refund on line 20. We will notify you that the overpayment has been credited and explain how to request a refund of the credited amount. If you choose to request a refund of the credited amount, you must claim the refund prior to the original due date of the following year's return.

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

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

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

For New York State tax liabilities **only** call 1 800 835-3554 (outside the U.S. and outside Canada call (518) 485-6800) or write to NYS Tax Department, Tax Compliance Division, W A Harriman Campus, Albany NY 12227.

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

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

Line instructions for Form CT-3-S

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

Percentages — When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Percentages should be carried out to four decimal places. For example: 5,000/7,500 = 0.6666666 = 66.6667%.

Negative amounts — Show any negative amounts in parentheses.

Reporting period — Your tax year for New York State must be the same as your federal income tax year. If you are a calendar-year filer, check the box in the upper right corner on the front of the form. If you are a fiscal-year filer, complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

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

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

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

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

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

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

- Dividend income from federal Form 1120, line 4.
- Interest income from federal Form 1120, line 5.
- Gross rental income from federal Form 1120, line 6.
- Gross royalty income from federal Form 1120, line 7.
- Capital gain net income from federal Form 1120, line 8.
- Charitable contribution deductions from federal Form 1120, line 19.

Lines 2 through 7 Additions — Use lines 2 through 7 to add items that are not included in federal income but must be included in New York State entire net income.

Line 2 — Enter all interest received or accrued from federal, state, municipal, and other obligations that was exempt from taxation on your federal income tax return and is, therefore, not included on line 1. You may deduct from this amount any expenses attributable to such interest but denied deductibility under IRC section 265. Attach a list of items included on this line.

Line 3a through 4b Subsidiaries — If you have a subsidiary, you must complete Form CT-3-S-ATT, Schedule C. If you have subsidiary capital included on Form CT-3-S-ATT, line 45, column C, complete