New York State Department of Taxation and Finance

Instructions for Form CT-3-S
S Corporation Information Return
Tax Law - Articles 9-A and 22

CT-3-S-I

General Information

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

Who Must File Form CT-3-S

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 in place of Form CT-3 or CT-4.

When and Where to File

File your return within 2½ months after the end of your reporting period. If you are reporting for the 1989 calendar year, file your return on or before March 15, 1990.

Mail returns to:

NYS Corporation Tax
Processing Unit
P.O. Box 1909
Albany, NY 12201-1909

If you cannot meet the filing deadline, ask for a six-month extension of time by filing Form CT-5.4 on or before the original due date of the return.

Final Return

Do not mark a franchise tax return *Final* unless a legal dissolution or surrender of authority is in progress and you are going out of business. If you do not legally dissolve the corporation and liquidate all assets, you will continue to be liable for the filing of corporation franchise tax returns and the payment of tax. For more detailed information about the legal dissolution and surrender of authority see Publication 110, *Termination of Business Corporations.*

Federal Changes and Amended Returns

Every electing New York S corporation whose income, loss or deductions is changed as a result of a final federal determination or files an amended return with the Internal Revenue Service must file an amended return by using Form CT-3-S and writing the words "Amended Return" across the top in red. Additionally, every shareholder of the electing New York S corporation must file an amended return on designated New York State individual, estate or trust tax returns.

Report of License Fee by a Foreign Corporation

Form CT-240 must be filed by all corporations organized under the laws of any other state or country which do business in New York State. This report must be filed when you file your first tax return, or if the capital stock employed in New York State has increased since the last license fee report was filed.

Penalties

If you don't timely file an information return showing 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 who were subject to the New York State personal income tax must be counted. The penalty may be waived if it is shown that the failure is due to reasonable cause, not willful neglect. The maximum penalty in any calendar year is $10,000.

Revocation of Election

Shareholders who collectively own more than 50% of the outstanding shares of the S corporation stock may revoke the New York S corporation status by filing a written statement with the Commissioner of Taxation and Finance. When the revocation is effective, the corporation will be subject to the franchise tax under Article 9-A of the tax law. The statement must contain:

- Name, address and ID number of corporation;
- The total number of shares of stock (including nonvoting stock) that is outstanding at the time revocation is made and the number held by each revoking shareholder;
- Name, address, social security number and signature of each revoking shareholder;
- A statement that the corporation is revoking its election to be treated as a New York S corporation under section 660(c)(2) of the New York State Tax Law; and
- The date on which the revocation is to be effective.

This statement should be signed by an officer authorized to sign the S corporation return and sent to:

NYS Tax Department
Corporation Tax Registration
Building 8, Room 409
W. A. Harriman Campus
Albany, NY 12227

The revocation is effective:

- On the first day of the tax year, if the revocation is made on or before the fifteenth day of the third month of the tax year;
- On the first day of the following tax year, if the revocation is made after the fifteenth day of the third month of the tax year; or
- On the date specified, if the revocation specifies a date on or after the date the revocation is made.

Change of Business Information

If there have been any changes in your business name, ID number, mailing address, business address, telephone number or owner/officer information, complete Form DTF-95, *Change of Business Information.* If you don't have a form, call 1 800 462-8100 (from out of state (518) 436-1073) to request one. If your address has changed, check the box next to the name and address on Form CT-3-S.

Specific Filing Requirements

A complete copy of federal Form 1120S **must** accompany this return.

Real Property Gains Tax

Every corporation with an interest in real property located in New York State must keep a record of the transfer of its stock and report annually every transfer of a "controlling" interest in its stock and any other information that may be required for the enforcement of this tax.

Controlling interest of a corporation is either 50 percent or more of the total combined voting power of all classes of stock or 50 percent or more of the capital, profits or beneficial interest in the voting stock (Article 31-B, section 1449a(1)).

Answer both questions on page 1. If you answer *Yes* to both questions, attach a separate sheet providing the following information:

- name, address, and identification number of the new controlling stockholder (use social security number for individuals and federal employer identification number for corporations)
- Date transfer was made
- Location of real property
- Whether the corporation is a cooperative housing corporation

Line-by-Line Instructions

Line A — After completing your return, enter the amount of your payment. Your payment should be the full amount shown on line 11.

Lines 2 and 3. If you claimed the investment tax credits, retail enterprise investment tax credit, employment incentive tax credit, research and development investment tax credit or EDZ investment tax credit during any year before you became a New York S corporation and the property on which you claimed the credit is disposed of or ceases to be in qualified use, you must recapture the credit and pay it as tax on Form CT-3-S.

Use Form CT-46, Schedule F, or Form DTF-603, Schedule E, to compute recaptured tax credits.

Line 5. Electing New York S corporations must pay a filing fee of $325 for each tax year beginning on or after January 1, 1989. The filing fee of $325 is reduced for short periods. A short period of not more than 6 months will reduce the filing fee 50% and a short period of more than 6 months but not more than 9 months will reduce the filing fee 25% (Article 22, section 658(c)(2)). This filing fee is in lieu of the foreign corporation maintenance fee *(see below).*

A foreign corporation that has been authorized to do business in this state, by the New York State Department of State, must pay an annual maintenance fee of $300, even if it is an electing New York State S corporation. The maintenance fee of $300 is reduced for short periods. A short period of not more than 6 months will reduce the maintenance fee 50% and a short period of more than 6 months but not more than 9 months will reduce the maintenance fee 25%. An authorized foreign electing New York S corporation that pays the filing fee is considered to have paid the maintenance fee and should not file Form CT-245.

Line 7. If you filed Form CT-5.4 for the current tax period or Form CT-3, CT-3M/4M or CT-4 for the tax period immediately preceding this tax period, enter any payment made with Form CT-5.4 or any overpayment of franchise tax that was credited to this tax period.

Line 9. If you do not pay the amount due on or before the due date (determined without regard to any extension of time), you must pay interest on the amount of the underpayment from the due date to the date paid. You may call the Taxpayer Assistance Bureau for the current interest rate or to have the interest computed for you; 1 800 CALL TAX (1 800 225-5829); outside New York State, (518) 436-8581.

Line 10. Additional charges for late filing and late payment are computed on the amount of tax less any payment made on or before the due date.

a. If you do not file a return when due or if the application for extension is invalid, add to the tax 5% per month, a total of up to 25% (section 1085(a)(1)(A)) and/or section 685(a)(1)(A)).*

b. If you do not file a return within 60 days of the due date, the addition to tax cannot be less than the smaller of $100 or 100% of the amount required to be shown as tax (section 1085(a)(1)(B) and/or section 685(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) and/or section 685(a)(2)).*

d. The total of the additional charges in *(a) and (c)* may not exceed 5% for any one month except as provided for in *(b)* (section 1085 (a)(4) and/or section 685(a)(4)).*

If you think you are not liable for these additional charges, attach a statement to your return explaining the delay in filing and/or payment (section 1085 and/or section 685).*

* Section 1085 applies to recapture of tax credits and the maintenance fee, section 685 applies to the filing fee.

Schedule A — Shareholder Information

Enter complete information for all individuals, estates and trusts who are shareholders of the corporation during any part of the tax year. Attach a separate sheet if necessary. Check box on return if separate sheet is attached. Enter the total number of shareholders entered in the box on the front of the return.

Schedule B — Part I — Shareholders' Pro Rata Shares

Lines 15-33. Complete lines 15 through 33 for each shareholder of the electing New York S corporation showing his or her pro-rata share of the S Corporation's items of income, loss and deduction to the extent included in federal adjusted gross income as shown on Schedule K-1 filed with federal Form 1120S.

Nonresident shareholders should determine the amount of business and investment income, losses and deductions derived from New York State sources by using the business allocation percentage, Schedule C and the investment allocation percentage, Schedule D. Attach a separate schedule for each nonresident shareholder.

For lines 20 and 25, attach a separate schedule showing the nature and amount of each item for each shareholder.

Line 27. A shareholder with tax preference items may be required to file Form IT-220, *Minimum Income Tax*. See Form IT-220 and the instructions for Form IT-220 for definitions of tax preference items, filing requirements, and tax computation.

Line 32. Attach a separate schedule showing the nature and amount of each item for each shareholder.

Schedule B — Part II — Shareholders' Share of Corporation's New York Tax Credits and Tax on Early Dispositions

Lines 34 through 41 should not include a shareholder's pro rata share of tax credits, carryforward of tax credits or recapture of tax credits arising from a tax year in which the corporation was not an electing New York State S corporation.

Lines 34 and 35. The investment tax credit and retail enterprise investment tax credit will be allowed at a reduced rate to individuals, estates and trusts who are shareholders of an electing New York S Corporation (section 606(i)(1), Article 22). The amount of the investment tax credit allowed each shareholder is his or her pro rata share of the investment tax credit as computed by the electing New York S Corporation on Form CT-46, Schedules A and B, computed for each shareholder:

— at the rate of 4% on property other than research and development property, or

— at the rate of 7% on research and development property.

The additional investment tax credit computed on Form CT-46, Schedules C and D, is not allowed to a New York S Corporation or its shareholders under Article 22 of the Tax Law.

Line 36. A recapture of the investment tax credit, retail enterprise investment tax credit and research and development investment tax credit by individuals, estates and trusts who are shareholders of an electing New York S Corporation may be required (section 606(i)(3), Article 22). The recapture of the tax credit is required by the shareholders when property on which the tax credit was claimed under Article 22 is disposed of, or ceases to be in qualified use, or when a shareholder's proportionate stock interest is reduced. The amount of the tax credit to be recaptured by the shareholder is generally his or her pro rata share of the tax credit as computed by the New York S Corporation on Form CT-46, Schedule F. If the credit is computed at a reduced rate, as above, the amount of tax credit to be recaptured should be computed at the same reduced rate.

Line 37. The special additional mortgage recording tax credit will be allowed to individuals, estates and trusts who are shareholders of an electing New York S Corporation (section 606(i)(1), Article 22). The amount of the special additional mortgage recording tax credit allowed each shareholder is his or her pro rata share of the special additional mortgage recording tax credit as computed by the electing New York S Corporation on Form CT-43 (see addition A-12).

Lines 38, 39 and 40. The economic development zone (EDZ) tax credits will be allowed to individuals, estates and trusts who are shareholders of an electing New York S Corporation (section 606(i)(1), Article 22). The amount of the EDZ wage and capital corporation tax credits allowed each shareholder is his or her pro rata share of these tax credits as computed by the New York S Corporation on Forms DTF-601 and 602. The amount of the EDZ investment tax credit on Form DTF-603 allowed to each shareholder shall be recomputed at a rate of 8%.

The EDZ additional investment tax credit computed on Form DTF-603 Schedule C is not allowed to a New York S Corporation or its shareholders under Article 22 of the Tax Law.

Line 41. The recapture of the EDZ investment tax credit by individuals, estates and trusts who are shareholders of an electing New York S Corporation may be required (section 606(i)(3), Article 22). The recapture of the tax credit is required when property on which the tax credit was claimed under Article 22 is disposed of or ceases to be in qualified use, or when a shareholder's proportionate stock interest is reduced. The amount of the tax credit to be recaptured by the shareholder is his or her pro rata share of the tax credit as computed by the New York S Corporation on Form DTF-603, Schedule E. If the credit is computed at a reduced rate, as above, the amount of tax credit to be recaptured should be computed at the same reduced rate.

Attach the following forms to Form CT-3-S if they apply: CT-46, *Claim for Investment Tax Credit;* CT-43, *Claim for Special Additional Mortgage Recording Tax Credit;* DTF-601, *Claim for EDZ Wage Tax Credit;* DTF-602, *Claim for EDZ Capital Corporation Credit;* and DTF-603, *Claim for EDZ Investment Tax Credit.*

Schedule B — Part III — Shareholders' Shares of New York Changes from Federal Items

The following adjustments must be added to or subtracted from each shareholder's federal adjusted gross income or federal itemized deductions on his or her individual New York State income tax return in arriving at total New York income and New York itemized deductions, respectively.

If a New York S corporation is on a fiscal year basis, the amount of any listed adjustment for the shareholders will be their pro rata share determined as of the end of the S corporation year ending within the shareholder's tax year.

Use lines 42 through 45 to list **only** those changes that apply to federal adjusted gross income on the individual returns of shareholders. Use lines 46 and 47 to list those changes that apply to federal itemized deductions.

Additions

Line 42/Accelerated Cost Recovery System (ACRS) Deduction

Enter the accelerated cost recovery system (ACRS) deduction from Form CT-399, line 12, Column A (section 612(b)(25). Attach a copy of Form CT-399 to your CT-3-S return.

Line 43/Other Additions

Identify by item number on a separate schedule any of the following additions that apply to each shareholder's pro rata share of the New York S corporation income, loss and deduction and enter the total of these additions that apply to each shareholder in the proper column on line 43.

A-1 Interest income on state and local bonds (except those of New York State and its political subdivisions) to the extent not included in federal adjusted gross income (section 612(b)(1)).

A-2 Interest or dividend income on bonds or securities of any United States authority, commission or instrumentality that federal laws exempt from federal income tax but not from state income taxes (section 612(b)(2)).

A-3 Amounts **deducted** for **interest** on loans used to buy bonds and securities whose interest is exempt from New York State tax, **expenses** relating to income exempt from New York State tax and **amortization** of bond premium whose bond interest is exempt from New York State tax (section 612(b)(4) and (5)).

A-4 Any amount that has to be added to your federal adjusted gross income if you made an election under the Tax Law for tax years beginning before 1987 for additional depreciation or research and development expenditures, waste treatment facility expenditures, air pollution control equipment expenditures or acid deposition control equipment (section 612 (b)(6)). See subtraction S-10.

A-5 Any amount deducted for percentage depletion on mines, oil and gas wells and other natural deposits (section 612(b)(10)).

A-6 Amounts required under the Tax Law relating to the distributive or pro rata share of allocated entire net income, or the distributive or pro rata share of loss included on Form CT-3-S, from an insurance business operating as a member of the New York Insurance Exchange (section 617-a).

A-7 Safe Harbor Leases — Any amount that was deducted in figuring your federal adjusted gross income (except for mass transit vehicles) solely because of an election made under section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984 (section 612(b)(23)).

A-8 Safe Harbor Leases — Any amount that would have been included in federal adjusted gross income (except for mass transit vehicles) had the election under section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, **not** been made (section 612(b)(24)).

A-9 Tax on Petroleum Business — The amount of gross receipts tax imposed on petroleum businesses under Article 13-A that was deducted in figuring each shareholder's pro rata share of S corporation income (section 612(b)(28)).

A-10 Reduction for Taxes — An amount equal to each shareholder's pro rata share of the S corporation's reductions for the federal tax on certain built-in gains and tax on certain passive investment income (section 612(b)(18)).

A-11 All income taxes (including City of New York income taxes) that were deducted in determining each shareholder's pro rata share of the S corporation items of income and deductions (section 612(b)(3)). Do not include state and city franchise taxes.

A-12 The amount of special additional mortgage recording tax that was excluded or deducted in figuring your federal adjusted gross income to the extent the credit was taken (section 612(b)(15)). For information about the special additional mortgage recording tax credit, see Form CT-43, *Claim for Special Additional Mortgage Recording Tax Credit*.

A-13 The amount of special mortgage recording tax paid when the property for which the tax was paid is sold or disposed of at a gain or loss and the basis of such property was not adjusted by the special additional mortgage recording tax credit (section 612(b)(15) of the Tax Law).

A-14 New business investment - deferral recognition - The amount of capital gain deferred on the sale of a capital asset if the new business investment property is sold (section 612(b)(22) of the Tax Law).

A-15 Five percent of the deduction for interest related to corporate acquisitions (section 612(b)(30) of the Tax Law). If this addition applies, complete new Form IT-244, *Acquisition Information Report*.

Subtractions

Line 44/New York Depreciation

Enter the total New York depreciation from Form CT-399, line 12, Column B (section 612(c)(26)).

Line 45/Other Subtractions

Identify by item number on a separate schedule any of the following subtractions that apply to each shareholder's pro rata share of the New York S corporation income and enter the total of these subtractions that apply to each shareholder in the proper column on line 45.

S-1 Any refund or credit for overpayment of any income tax (including the refund of the City of New York unincorporated business tax but not including state and city franchise taxes) to the extent included in income reported on Form CT-3-S (section 612(c)(7)).

S-2 Interest income on bonds or other obligations of the United States government included as income on Form CT-3-S. Include qualified dividends from regulated investment companies (mutual funds) that invest in obligations of the United States government and meet the 50 percent asset requirement (section 612(c)(1)).

S-3 Interest or dividend income on bonds or securities of any United States authority, commission or instrumentality included as income on Form CT-3-S, but exempt from state income taxes under federal laws (section 612(c)(2)).

S-4 Interest or dividend income included on Form CT-3-S on bonds or securities to the extent exempt from New York State income taxes (section 612(c)(6)).

S-5 Interest expense on money borrowed to buy or carry bonds or securities the income from which is subject to New York State income tax but exempt from federal income tax, provided this interest was a business expense for the taxable year and was not deducted in figuring S corporation income (section 612(c)(9)).

S-6 Ordinary and necessary business 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, provided these expenses were not deducted in figuring S corporation income (section 612(c)(10)).

S-7 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, provided this amortization was a business expense for the tax year and was not deducted in figuring S corporation income (section 612(c)(10)).

S-8 The amount of wages and salaries paid or incurred during the tax year for which a salaries deduction is not allowed with regard to claiming the federal targeted jobs credit (section 612(c)(15)).

S-9 Cost depletion figured according to federal tax law on property where percentage depletion (addition A-5) was added on line 43 (section 612(c)(13)). Further, in the case of sale or exchange of such property, the excess of the New York basis over the federal basis.

S-10 Special depreciation expenditures or carryover of research and development expenditures incurred in tax years beginning before 1987 in connection with depreciable tangible business property located in New York State (section 612(c)(11)). For more information see Form IT-211, Special Depreciation Schedules and Instructions. Also see addition A-4.

S-11 Any amount included on Form CT-3-S that is the distributive or pro rata share of income or gain from an insurance business operating as a member of the New York Insurance Exchange (section 617-a).

S-12 Safe Harbor Leases — Any amount that was included in federal adjusted gross income (except for mass transit vehicles) solely because of an election made under section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984 (section 612(c)(24)).

S-13 Safe Harbor Leases — Any amount that could have been excluded from federal adjusted gross income (except for mass transit vehicles) had the election under section 168(f)(8) of the Internal Revenue Code, as it was in effect for agreements entered into prior to January 1, 1984, **not** been made (section 612(c)(25)).

S-14 The part of any gain included in federal adjusted gross income from the sale of other disposition of (1) property which had a higher basis for New York 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) and (2) property held in connection with mines, oil or gas wells, and other natural deposits which have a higher adjusted basis for New York State income tax purposes, which does not exceed this difference in basis (section 612(c)(4) and 612(c)(13) of the Tax Law).

S-15 New business investment exclusion - The amount of gain to be subtracted from the sale of a New York new business investment that was included in federal adjusted gross income (section 612(c)(20) of the Tax Law).

Lines 46 and 47 should be used **only** for changes that apply to federal itemized deductions on the individual returns of shareholders and should exclude any amounts properly reportable on lines 42 through 45. Attach a statement identifying by item number any of the following changes that relate to New York S corporation items of the shareholders' federal itemized deductions.

Line 46/Additions to Federal Itemized Deductions

A Interest expense on money borrowed to buy or carry bonds or securities subject to New York State income tax, but exempt from federal income tax, if this interest was not deducted on the federal return or subtracted on line 45.

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 45.

C Amortization of bond premium attributable to the tax year on any bond whose interest 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 45.

Line 47/Subtractions from Federal Itemized Deductions

A State, local and foreign income taxes.

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

C 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.

D Amortization of bond premium attributable to the tax year on any bond whose interest is exempt from New York State income tax.

Line 48/New York Adjustments to Federal Tax Preference Items

See the instructions for Form IT-220 for an explanation of the required adjustments. On an attached schedule give details of the adjustments to the federal tax preference items for each shareholder.

Schedule C — Part I — Business Allocation

Complete this schedule if the New York S corporation has both nonresident shareholders and property, payroll or sales outside New York State. The New York S corporation must complete the business allocation percentage (as provided for under Article 9-A rules and regulations) to determine each nonresident shareholder's pro rata share of New York State business income or New York State deductions derived from or connected with the business capital of the New York S corporation.

To compute the business allocation percentage, add the percentages allocated to New York State of the average value of the corporation's real and tangible personal property, whether owned or rented, business receipts factor, payroll factor and an additional factor equal to the business receipts factor and divide the total percentage by the number of percentages.

Election to use fair market value

You must value real and tangible personal property you own at the adjusted basis of the property for federal income tax. However, you may make a one time, revocable election to value real and tangible personal property at fair market value. You must make this election on or before the due date for filing the New York S Corporation Information Return for the S Corporation's first accounting period beginning on or after January 1, 1987.

Election to phase-in rented tangible personal property, see instructions for line 53.

If you are allocating property and wages outside New York State attach a separate schedule listing the location of real and/or tangible personal property describing how such property is used and the number, location and duties of your own employees located outside New York State.

Line 49. Real property and related equipment, except inventoriable goods, that is under construction and is not occupied or used during construction, should be excluded from the numerator and denominator of the property factor. Include property or equipment under construction that is partially used in the regular course of business in the property factor to the extent used.

Line 50. The value of real property you rent generally is eight times the gross rent payable during the year covered by the return. Gross rent includes any amount payable as rent or in lieu of rent, such as taxes, repairs, etc., and amortization of leasehold improvements that revert to the lessor at the termination of the lease.

Line 52. The term "tangible personal property" means corporeal personal property, such as machinery, tools, implements, goods, wares and merchandise. Do not include cash, shares of stock, bonds, notes, credits or evidences of an interest in property or evidences of debt.

Line 53. 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. However, if you made the one-time election in 1987 (or a fiscal year beginning in 1987) to phase in over a five year period the value of tangible personal property rented you must include 60% of the value of each item of rented tangible property for the tax year beginning in 1989. For tax years beginning in 1990 the percentage is 80%. For tax years beginning in 1991 and thereafter, the percentage will be 100%.

Lines 56 and 57. Sales of tangible personal property are allocated on a destination basis.

Line 58. Services are allocated where performed. Corporations engaged in the publication of newspapers and periodicals must allocate to New York State receipts from the sale of advertising to the extent that the newspapers and periodicals are delivered to the ultimate purchasers or subscribers in New York State.

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

Receipts from	Allocated Receipts
— Pickup and deliveries both made in New York State	100% to New York State
— Pickup only made in New York State	50% to New York State
— Delivery only made in New York State	50% to New York State

Line 59. Rental income is allocated where property is located.

Line 60. Receipts from royalties are allocated where earned.

Line 61. Other business receipts are allocated where earned.

Line 64. An additional receipts factor must be included in the computation of the business allocation percentage. Enter the same percentage computed on line 63 (section 210.3(a)(4)).

Line 65. Employees within New York include all employees regularly connected with or working out of an office or place of business you maintain within New York, irrespective of where the services of these employees were performed. General executive officers are excluded from the payroll factor. General executive officers include the chairman, president, vice president, secretary, assistant secretary, treasurer, assistant treasurer, comptroller and any other officer charged with the general executive affairs of the corporation. An executive officer whose duties are restricted to territory either within or out of New York State is not a general executive officer.

Line 67. Add percentages on lines 55, 63, 64 and 66.

Line 68. Divide line 67 by the number of percentages used.

EXAMPLES:

	Corp. A	Corp. B	Corp. C
Property factor	80%	60%	60%
Receipts factor	20%	30%	30%
Additional receipts factor	20%	30%	30%
Payroll factor	60%	0%	None*
TOTAL	180%	120%	120%
Computation	(180 ÷ 4)	(120 ÷ 4)	(120 ÷ 3)
Business allocation percentage	45%	30%	40%

**Corporation C has no employees inside or outside New York. Zero percent (Corporation B) is not a missing percentage unless the numerator and denominator of the factor are missing.*

Schedule C — Part II
Business Allocation — Aviation Corporations

Line 69. Aircraft arrivals and departures — Enter the number of landings and takeoffs of an aircraft of an aviation corporation and the number of pickups and deliveries by the aircraft. Arrivals and departures for maintenance, repair, refueling (where no debarkation or embarkation of traffic occurs), training, emergencies, and nonrevenue flights should not be included.

Line 71. Revenue tons handled — Enter the weight, in tons of revenue passengers (at 200 pounds per passenger) and revenue cargo first received as originating or connecting traffic or finally discharged at an airport.

Line 73. Originating revenue — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

Schedule D — Investment Allocation Percentage

Complete this schedule if the New York S corporation has both nonresident shareholders and investment income. You must compute the investment allocation percentage (as provided for under Article 9-A rules and regulations) to determine each nonresident shareholder's pro rata share of New York investment income or New York deduction derived from or connected with the investment capital of the New York S corporation.

Schedule D, Column A — List the name of each of the following items of investment capital of the New York S corporation: stocks, bonds and other securities issued by a corporation (other than the S corporation, a subsidiary of the S corporation or a DISC) or by the United States, any state, territory or possession of the United States, the District of Columbia, or any foreign country, or any political subdivision or governmental instrumentality of any of of the foregoing. Investment capital includes investments in regulated investment corporations (money market funds and mutual funds). Investment capital also includes a loan to a subsidiary, the interest on which is claimed by the subsidiary as a deduction from any tax imposed by Articles 9-A, 32 or 33 of the Tax Law, provided such loan is evidenced by a bond or other security. A subsidiary is a corporation that you control because you own more than half of the voting stock issued and outstanding.

Investment capital to be included in Schedule D does not include cash; stock, bonds or other securities held by the New York S corporation for sale to customers in the regular course of business, or investments in securities of an individual, partnership, trust or other nongovernmental entity that is not a corporation.

Schedule D, Column C — Enter the average fair market value of each item listed in Column A. On any date, the fair market value of stocks, bonds and other regularly traded securities is the mean between the highest and lowest selling prices. The average value generally is computed quarterly if your usual accounting practice permits it, but you may use a monthly, weekly, or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation of average fair market value, you may use a semiannual or annual computation if no distortion of average fair market value results. If the security is not marketable, value it using generally accepted accounting principles.

Schedule D, Column D —1987 amendments to Article 9-A of the Tax Law now permit the deduction of all liabilities, both long-term and short-term, directly or indirectly attributable to investment capital. Use the same method of averaging used to determine the average value of assets in Column C. Enter for each item of investment capital listed in Column A the sum of the liabilities directly or indirectly attributable to it. Liabilities directly attributable to an asset are those that were incurred to acquire that asset.

Use the following worksheet to determine the amount of liabilities indirectly attributable to a particular asset.

Total liabilities *(see instructions below)*	(A) _____
Liabilities directly attributable to:	
Subsidiary capital	(B) _____
Investment capital	(C) _____
Business capital	(D) _____
Add lines (B), (C) and (D)	(E) _____
Subtract line (E) from line (A)	(F) _____
Enter amount from Schedule D, Column C, line 77	(G) _____
Total assets *(see instructions below)*	(H) _____
Divide line (G) by line (H)	(I) _____ %
Multiply line (F) by line (I)	(J) _____

Total liabilities — To determine total liabilities compute the average value of your total liabilities as shown on the balance sheets of your federal tax return. The average value is generally computed quarterly but you may use a monthly, weekly or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation, you may use a semiannual or annual computation if no distortion of average value results.

Total assets — To determine total assets compute the average value of your total assets as shown on the balance sheets of your federal tax return, as if the New York S corporation had valued real property and marketable securities at fair market value and all other property at a value determined in accordance with generally accepted accounting principles. Use the same basis of averaging total assets as used to average total liabilities (e.g. monthly, weekly, daily, quarterly, semiannual or annual).

Value of a particular asset shown in Schedule D, Column C	(K) _____
Enter amount from line (G)	(L) _____
Divide line (K) by line (L)	(M) _____ %
Enter amount from line (J)	(N) _____
Multiply line (M) by line (N)	(O) _____

In Column D, on the line for the asset in question, include the sum of the amount from line (O) of this worksheet and the amount of liabilities directly attributable to that asset.

Schedule D, Column E — Determine the net average value of each item listed in Column A by subtracting Column D from Column C. The net average value of any item cannot be less than zero.

Schedule D, Column F — Enter the issuer's allocation percentage for each item of investment capital listed in Column A. The issuer's allocation percentage is used to compute the amount of investment capital allocated to New York State. The issuer's allocation percentage is obtained from the New York State corporation franchise tax return filed by the corporation which issued the stock, bond or other security and represents that corporation's amount of capital employed in New York State as compared to total capital employed everywhere. Issuer's allocation percentages can be obtained from tax service publications or by written request (in duplicate) to:

NYS Tax Department
Taxpayer Assistance Bureau
W.A. Harriman Campus
Albany, NY 12227
Telephone (518) 457-7034

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

Always enter the issuer's allocation percentage from the first year preceding the current tax year. Example: If the S corporation is computing Schedule D for 1989, enter the issuer's allocation percentage obtained from the issuer's 1988 tax return.