Instructions for Form CT-183 and Form CT-184

Transportation and Transmission Corporation Franchise Tax Returns

— **Every taxpayer required to file Form CT-183 must also file Form CT-184, except certain telephone companies. All telephone companies must file Form CT-183, but only those telephone companies principally engaged in a *local telephone* business must file Form CT-184. (See details below.)**

— **Instructions for Form CT-183, see page 3.**

— **Instructions for Form CT-184, see page 4.**

General Instructions

1995 Legislation: Change in Filing Requirements for Telephone Businesses

Chapter 2 of the Laws of 1995 has amended section 184 of the Tax Law to modify the franchise tax on transportation and transmission businesses. Effective January 1, 1995, with respect to telephone companies, section 184 applies only to those corporations or associations formed for or principally engaged in the conduct of a **local telephone** business. Local telephone business means the provision or furnishing of telecommunication services for hire where the service consists of carrier access service or originates and terminates within the same local access and transport area (LATA), or LATA-like Rochester non-associated independent area (LATA-like area). The LATAs and LATA-like areas are those areas that were essentially formed and defined pursuant to the Modification of Final Judgement in *United States v. Western Electric Company* (Civil Action No. 82-0192) in the United States District Court for the District of Columbia.

Telecommunication services means telephony or telegraphy or any telephone or telegraph service, including, but not limited to, any transmission of the following: voice, image, data, information and paging, through the use of wire, cable, fiber-optic, laser, microwave, radio wave, satellite or similar media, or any combination thereof.

Telecommunication services also includes services that are not telecommunication services as such, but are: (1) ancillary to the provision of telephone service (e.g., directory information, call forwarding, caller-identification, call-waiting and supplementary services) and (2) services (of whatever nature) which are incidental to the provision of telecommunication services. The receipts from equipment provided in connection with the provision of any telecommunication service (e.g., beepers, telephones, fax machines, modems, etc.) are also subject to tax under Section 184.

Telecommunication services does not include separately stated charges for a service that alters the substantive (information) content of the message sent.

Telecommunication services excludes television or radio programming transmitted to subscribers by cable television service.

All telecommunication providers, whether organized in the corporate or individual form (including local telephone service providers) are subject to the excise tax under section 186-e of the Tax Law, *Excise Tax on Telecommunication Services*. Certain telecommunication providers may also be subject to tax under section 186-a on receipts from sales of water, gas, electricity, steam or refrigeration. (See Form CT-186-E and instructions for additional details.)

Who Must File Forms CT-183 and CT-184 — Corporations, publicly traded partnerships treated as corporations for federal tax, joint-stock companies and associations formed for or principally engaged in the conduct of a transportation or transmission business (e.g., rail, express, navigation, pipeline, transfer, trucking, telegraph, radio beeper, delivery, household moving or ferry business) must file Forms CT-183 and CT-184. All telephone companies that are corporations, publicly traded partnerships treated as corporations for federal tax, joint-stock companies and associations formed for or principally engaged in the conduct of transportation or transmission business must file Form CT-183, but only those telephone companies as defined above, principally engaged in conducting a local telephone business must file Form CT-184. This includes all domestic corporations (incorporated in New York State) as well as foreign corporations that are doing business, employing capital, owning or leasing property or maintaining an office in New York State. However, the following transportation corporations are not required to file Forms CT-183 and CT-184:

— Foreign taxicab and omnibus corporations, normally taxable under Article 9-A, that conduct fewer than 12 trips into New York State during the calendar year will be taxable under Article 9, section 184, but not under Article 9, section 183, as long as they do not otherwise own or lease property or maintain an office in New York State. These corporations must file Form CT-184-R.

— Corporations incorporated in New York State that are **exclusively engaged** in the operation of vessels in foreign commerce between U. S. and foreign ports are exempt from all state and local taxation on their capital stock, franchises and earnings.

— Ferry companies that operate between any of the boroughs of the city of New York under a lease granted by New York City are exempt from taxation.

— Aviation corporations (including air freight forwarders acting as principal and like indirect air carriers) are subject to tax under Article 9-A and must file Form CT-3 or CT-4. See TSB-M-89(10)C.

— Any corporation principally engaged in providing telecommunication services between aircraft and dispatcher, aircraft and air traffic control or ground station and ground station (or any combination of the foregoing), at least 90 percent of the voting stock of which corporation is owned, directly or indirectly, by air carriers and which corporation's principal function is to fulfull the requirements of the federal aviation administration or international civil aviation organization, relating to the existence of a communication system between aircraft and dispatcher, aircraft and air traffic control or ground station and ground station (or any combination of the foregoing) for the purposes of air safety and navigation are not subject to tax under Section 184.

Filing Requirements — Use **Form CT-183** to report and pay the franchise tax and state tax surcharge required by Article 9, section 183. This is an annual tax based on the corporation's allocated capital stock or a minimum tax of $75, plus a state tax surcharge equal to 7½% of the tax.

Use **Form CT-184** to report and pay the franchise tax and state tax surcharge required by Article 9, section 184. This tax is based on the corporation's gross earnings from all New York State sources, plus a state tax surcharge equal to 7½% of the tax.

Taxpayers subject to tax under sections 183 and 184 of the Tax Law must file both Forms CT-183 and CT-184 on an annual basis. Even taxpayers who do not have taxable gross earnings must file Form CT-184 to show that no tax is due under Article 9, section 184, of the Tax Law.

Change of Business Information — If there have been any changes in your 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, *Change of Business Information*. If you don't have a form, call toll free (from New York State only) 1 800 462-8100. From areas outside New York State, call (518) 438-1073 to request one.

Identifying Information — To assist us in processing your corporation tax forms as quickly and efficiently as possible, 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 be certain to include your employer identification number and file number on each corporation tax form mailed. This will facilitate processing of your return to the correct account. Without this information, we may not be able to process your return.

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.

When and Where to File — The **filing period** for both forms must be based on a calendar year regardless of your federal reporting period. File your returns on or before March 15, 1996. Mail to: **NYS CORPORATION TAX, PROCESSING UNIT, PO BOX 1909, ALBANY NY 12201-1909**

If you wish to extend the filing deadline, you may request a three-month extension of time by filing Form CT-5.9 on or before March 15, 1996. An extension of time granted by the IRS to file a federal return **does not** extend the date for filing a New York State return. A request for an additional extension of time for filing this return may be filed on Form CT-5.1.

Tax Basis — Article 9, section 183, of the Tax Law provides for a franchise tax based on the net value of issued capital stock employed in New York State (see Form CT-183, Schedule D).

The net value of issued capital stock may be allocated within and outside New York State. The allocation is based on the gross assets employed in New York State (see Form CT-183, Schedule A).

The franchise tax required to be paid under section 183 is the highest tax computed by the following three methods:

1. Allocated value of issued capital stock multiplied by the tax rate of 1.5 mills (.0015).
2. Allocated value of issued capital stock on which dividends are paid at a rate of 6% or more multiplied by the tax rate of .375 mills (.000375) for each 1% of dividends paid. The rate of 1.5 mills (.0015) is applied to capital stock on which dividends are not paid or are paid at a rate of less than 6%.
3. Minimum tax of $75.

A combination of tax on capital stock using the tax rate of 1.5 mills and the dividend rate as computed in Schedule E is possible if a corporation has more than one kind of stock (see Form CT-183).

Article 9, section 184, provides for a tax at the rate of ¾ of 1% of the gross earnings received from business conducted in New York State during the tax year (see Form CT-184).

A railroad not operated by steam, whose property is leased to another railroad, shall pay only a tax of 4½% on dividends paid during the tax year which are in excess of 4% of the amount of its capital stock. The tax on gross earnings would not apply.

The tax under Article 9, section 184, does not apply to a foreign railroad, palace car or sleeping car company, or to a navigation, canal, ferry (unless operating between New York City boroughs under a city lease), steamboat or other corporations operating vessels if the corporation's only activities in New York State are (1) maintaining an office and employing capital, and (2) owning property used exclusively in interstate or foreign commerce.

Tax on Gains Derived From Certain Real Property Transfer, Article 31-B, section 1449-a, requires every corporation with an interest in real property in New York State to 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 to enforce this article.

Controlling interest is either 50% or more of the total combined voting power of all classes of stock or 50% or more of the capital, profits or beneficial interest in that voting stock.

Answer the questions on Form CT-183, page 1. If you answer *Yes* to the first two questions, attach 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

Maintenance Fee — Foreign Corporations — A corporation organized outside New York State (a foreign corporation) that is authorized to do business in New York State must pay an annual maintenance fee of $300. Failure to pay the annual maintenance fee or its equivalent in New York State taxes (including state and MTA surcharges) under Article 9 (or Article 9A or 32) will result in annulment of the authorization to do business in New York State. Payments of such taxes (but not a license fee reported on Form CT-240) are counted as payments toward the $300 annual maintenance fee. If the total of such taxes paid for 1995 is more than $300, the corporation has satisfied the requirement to pay the $300 annual maintenance fee. If the total of such taxes paid for 1995 is less than $300, enter $300 on Form CT-183, line 8 and make a payment of $300 with that form. In addition, on any other Article 9 returns indicate that a total tax and maintenance fee of $300 was paid with Form CT-183, and make no remittance of tax with the other returns. Article 9 returns include CT-183, 183-M, 184, 184-M, 184-R, 186-A, 186-A/M, 186-E, 186-P, 186-P/M and 189.

Foreign corporations must also file a report of license fee - see Form CT-240, *Foreign Corporation License Fee Report*.

Penalty for Underpaying Estimated Tax - Form CT-184

If you can reasonably expect your New York State franchise tax and state tax surcharge liability on Form CT-184 to exceed $1,000, you must file a declaration of estimated tax on Form CT-400. 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 more information see Form CT-222, *Underpayment of Estimated Tax by a Corporation*.

Interest — If you do not pay the tax by March 15, 1996, you must pay interest on the amount of underpayment from the due date to the date paid. Exclude from the interest computation any amount shown as the first installment of estimated tax. You may call the Business Tax Information Center for the current rate or to have the interest computed for you. See the *Need Help?* section on the back of this booklet for the toll-free telephone number.

Late Filing and Late Payment — Additional Charges

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. Exclude from the penalty computation any amount shown as the first installment of estimated tax.

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 25% (section 1085(a)(1)(A)).

B If you do not file a return within 60 days of the due date, the addition to tax in item A above 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 25% (section 1085(a)(2)).

D The total of the additional charges in items A and C above may not exceed 5% for any one month, except as provided for in item B above (section 1085(a)).

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

Penalty for Failure to Provide Information Relating to the Issuer's Allocation Percentage — Section 1085(o) of the Tax Law provides for a penalty of $500 for failure to provide information needed to compute your issuer's allocation percentage (Form CT-183, Schedule A).

Final Return

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

— Voluntary Dissolution - New York Corporation (New York Business Corporation Law Section 1001-1003)

— Surrender of Authority by a Foreign Corporation (New York Business Corporation Law Section 1310)

— Merger or Consolidation (New York Business Corporation Law Section 904, 905 and 907)

— Disposition of Assets - New York Corporation (New York Business Corporation Law Section 909(d))

— Termination of Existence - Foreign Corporation (New York Business Corporation Law Section 1311)

— Liquidation Under Internal Revenue Code (IRC Sections 332, 333, 334 and 337).

See the *Voluntary Dissolution and Surrender of Authority and Liability for Taxes and Fees* section of these instructions 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 only be used 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 termination.

Foreign authorized corporations 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 box if you are only changing the type of return that you file (i.e., CT-183 and CT-184 to CT-3).

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 such 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 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 to 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.

In order to voluntarily dissolve a domestic corporation or surrender the authority of a foreign corporation that is authorized to do business in this state, the Tax Law requires the consent of the Commissioner of Taxation and Finance. Such consent will be given only if the commissioner ascertains that all fees, franchise taxes, and other taxes (e.g. sales tax) imposed under the Tax Law that have accrued against the corporation have been paid. The procedure for obtaining such a consent and the forms that are required to be filed with this department are set forth in Publication 110. You can request this publication by calling the Business Tax Information Center at the number listed in the *Need Help* box on the back page of the packet.

Instructions for Form CT-183

Metropolitan Transportation Business Tax (MTA Surcharge) — Any corporation taxable under Article 9, section 183, that does business, employs capital, owns or leases property or maintains an office in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-183-M and pay a metropolitan transportation business tax surcharge on business done in the Metropolitan Transportation Authority region (MTA surcharge). The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

Answer the questions on page 1 of Form CT-183. If you do not do business in the MCTD, you must disclaim liability for the MTA surcharge by answering *No* to the third question.

Tax Computation — Line 1 — Enter the tax computed on line 58. This is the largest tax computed in Schedule D, based on the net value of allocated issued capital stock.

Line 2 — Enter the tax computed on line 77 or line 80. This is the tax computed on dividends paid of 6% or more.

Line 5 — You may take a credit against your franchise tax for any "special additional mortgage recording tax" you paid. This credit may not reduce your tax below the minimum tax under section 183 or, if you are an authorized foreign corporation, it may not reduce the tax below the $300 maintenance fee. Any unused credit that remains after applying the credit to your franchise tax may be applied against the tax due under section 184 (Form CT-184) or carried forward. Attach Form CT-43, *Claim for Special Additional Mortgage Recording Tax Credit.*

Line 8 — Foreign authorized corporations only: If the total taxes due with your franchise tax returns, CT-183, CT-183-M, CT-184, CT-184-M, CT-184-R, CT-186-E, CT-186-P, CT-186-P/M, CT-186-A and CT-186-A/M for December 31, 1995 total **less** than $300, add the difference to the tax due on this form and enter the total ($300) on this line. Attach the computation. The special additional mortgage recording tax credit may not reduce the maintenance fee below $300.

Example:

Form CT-183, Minimum Tax, 12/31/95	$	*75*
Form CT-184, Tax for 12/31/95		*125*
State Tax Surcharge for Forms CT-183 and CT-184		*15*
MTA Surcharge for Forms CT-183-M and CT-184-M		*34*
Total		*249*
Maintenance Fee for 1995	$	*300*
Enter $300 on Form CT-183, line 8.		

Line 9 — Enter your total prepayments from line 84.

Lines 11 and 12 — If you are not filing this return on time, you must pay interest and additional charges (see *Interest* and *Late Filing and Late Payment — Additional Charges* on page 2).

Schedule A — Allocations

Part I — General Transportation and Transmission Corporations

Line 19 — Accounts receivable are considered located where controlled.

Line 20 — If the assets of any company whose stock is owned by this corporation are employed both within and outside New York State, an apportionment of your holdings may be made on the basis of percentage of employment by the issuer of the stock.

Line 21 — Bonds, loans and other securities are considered located where employed.

Line 24 — Enter the value of all other assets located in New York State that are reflected on the taxpayer's federal balance sheet, except the value of vehicles. The value of vehicles allocated to New York State (Column A) is determined by multiplying the mileage percentage from Form CT-184, line 21, by the total value of the vehicles.

Line 25 — Add lines 19 through 24. The column B total must equal the amount of gross assets shown on the balance sheet of your federal return, except for cash and investments in United States obligations.

Line 26 — If no allocation is claimed, enter 100%.

Part II — Corporations Operating Vessels Not Exclusively Engaged in Foreign Commerce

Line 27 — *Working days* are days during which a vessel is sufficiently staffed for the transportation of persons or cargo or when it has cargo aboard. The working time in New York territorial waters and the working time everywhere are computed for each vessel in hours and minutes. At the end of the year, the time is totaled for all vessels, and the sum is converted into days. Instead of records indicating actual time in New York territorial waters, you may compute time from records showing when Ambrose Light Station was passed on the way in and out of port.

Line 28 — If no allocation is claimed, enter 100%

Schedules B and C — Information required in these two schedules must be the same information that appears on the balance sheet of your federal return. Attach a copy of your federal return.

Schedule D — Computation of Tax Based on the Net Value of Issued Capital Stock

Tax based on net value as shown on the federal balance sheet is the largest tax computed by the following three methods of valuing stock:

1. Total number of shares of stock outstanding at the end of the year multiplied by the net value per share of stock outstanding at the end of the year, but not less than $5 per share (lines 49 through 51).
2. Total number of shares of stock outstanding at end of year multiplied by the average price at which they sold during the year (lines 52 through 54).
3. The difference between the corporation's assets and liabilities (lines 55 through 57).

Schedule E

Part I

Compute the dividend rate on par value capital stock by using the par value of the stock. Do not include any paid-in capital. Compute the dividend rate on no par value stock by dividing the dividend paid by the amount paid for the stock. The amount paid in includes only the amount paid for the stock (stated value of no par stock) and paid-in capital on the stock. It does not include capital arising from appreciation of assets, amounts not contributed by the stockholder or retained earnings.

Part II

If you paid a 6% or more dividend on **all** classes of issued capital stock, you need not complete lines 72 through 76.

If you did not pay a 6% dividend on **all** classes of stock, compute a tax on the dividend based on the value of the stock on which the dividend of 6% or more was paid **plus** a tax, at the capital-stock rate, on the remaining value of all capital stock.

The remaining value of all capital stock depends on which class of capital stock the dividend was paid. If the dividend was paid on preferred stock, the remaining value of all capital stock is retained earnings plus common stock. If the dividend was paid on common stock, the remaining value of all capital stock is preferred stock. Retained earnings are normally associated with common stock. The following examples show how the dividend rates and remaining value of capital are computed:

Example 1: *Dividend Paid on Preferred Stock*

Par Value of Common Stock	*$10,000*	
Par Value of Preferred Stock	*50,000*	
Retained Earnings	*80,000*	
Dividend Paid on Preferred Stock	*3,300*	
Dividend Rate ($3,300÷$50,000)	*6.6%*	
6.6×.000375 (tax rate of 3/8 mill)	*.002475*	
Tax ($50,000×.002475)		*$123.75*
Remaining Value of Issued Capital Stock (common stock plus retained earnings: $90,000×.0015)		*135.00*
Total Tax		*$258.75*

Example 2: *Dividend Paid on Common Stock*

Par Value of Common Stock	*$10,000*	
Par Value of Preferred Stock	*50,000*	
Retained Earnings	*80,000*	
Dividend Paid on Common Stock	*3,000*	
Dividend Rate ($3,000÷$10,000)	*30%*	
30×.000375 (tax rate of 3/8 mill)	*.01125*	
Tax ($10,000×.01125)		*$112.50*
Remaining Value of Issued Capital Stock (preferred stock only; $50,000×.0015)		*75.00*
Total Tax		*$187.50*

Parts III and IV

Corporations operating vessels not exclusively in foreign commerce must compute the dividend rate on paid-in capital for all classes of stock. This includes all amounts paid for the stock. It does not include capital from appreciation of assets, amounts not contributed by the stockholder or retained earnings.

Instructions for Form CT-184

All transportation and transmission corporations and associations subject to tax under Article 9, section 184, must file Form CT-184 and pay the tax due on gross earnings or dividends, whichever is appropriate.

All transportation and transmission corporations and associations must file Form CT-184 even if no tax is due. Enter zeros where appropriate on lines 1 through 14 and file the signed return with Form CT-183.

Metropolitan Transportation Business Tax (MTA Surcharge) — Any corporation taxable under Article 9, section 184, that does business, employs capital, owns or leases property or maintains an office in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-184-M and pay a metropolitan transportation business tax surcharge on business done in the Metropolitan Transportation Authority region (MTA surcharge). The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester.

Answer the questions on Form CT-184, page 1. If you do not do business in the MCTD, you must disclaim liability for the MTA surcharge by answering *No* to the first question.

Tax Computation

Line 1 — Enter total gross earnings from Schedule C, line 53, and multiply by the tax rate.

Line 2 — Enter tax on dividends from Schedule D, line 59.

Line 3 — You may take a credit against your franchise tax for any special additional mortgage recording tax you paid. Any unused credit that remains after applying the credit to your franchise tax may be applied against the tax due under section 183 (Form CT-183) or carried forward. Attach Form CT-43, *Claim for Special Additional Mortgage Recording Tax Credit.*

Line 7a — Use this line if you filed a request for extension (Form CT-5.9). Enter amount shown from Form CT-5.9, line 4.

Line 7b — If the tax and state tax surcharge under section 184, line 6, exceeds $1,000 and Form CT-5.9 was not filed, a mandatory first installment is required for the period following that covered by this return. Enter 25% of the line 6 amount.

Line 8 — Add lines 6 and either 7a or 7b. **Foreign authorized corporations only:** if the total tax due with your franchise tax returns, Forms CT-183, CT-183-M, CT-184, CT-184-M, CT-184-R, CT-186-E, CT-186-P, CT-186-P/M, CT-186-A and CT-186-A/M, for December 31, 1995 is less than $300, see instructions for Form CT-183, line 8.

Line 9 — Enter your total prepayments from line 65.

Line 12 — Interest - see *Interest* information on page 2. Compute on amount from line 10 minus line 7a or 7b.

Line 13 — Late Filing - Additional Charges - see *Late Filing and Late Payment — Additional Charges* on page 2. Compute on amount from line 10 minus line 7a or 7b.

Schedule A — Mileage Allocation — Allocation of Gross Earnings by Transportation Corporations

Taxpayers subject to tax under section 184, except telephone and telegraph corporations, must allocate gross earnings pursuant to Schedule A. If no allocation is claimed, enter 100% on line 21.

Transportation over roads — The mileage allocation is a percentage based on the number of revenue miles traveled within New York State compared to the total revenue miles traveled everywhere (nonrevenue miles, such as deadheading, should be excluded).

Pipeline corporations — For pipelines, *mileage* means miles of transportation units performed within and outside New York State. For natural gas pipelines a *transportation unit* is the transportation of one cubic foot of gas over a distance of one mile (see TSB-M-82(11)C).

Schedule B — Allocation of Gross Operating Revenue from Telegraph Corporations

Telegraph companies that sell or furnish telegraph transmission services in New York State must complete Schedule B and compute gross operating revenue.

Gross operating revenue includes the following:

— intrastate gross operating revenue,

— interstate gross operating revenue allocated to New York State, and

— foreign gross operating revenue allocated to New York State.

Intrastate gross operating revenue includes receipts from the sale or furnishing of intrastate telegraph services.

Interstate and foreign gross operating revenue allocated to New York State is computed by using either the accounting rule method or formula rule method. Interstate and foreign gross operating revenue includes revenues (i.e., receipts) allocated to New York State from the sale or furnishing of interstate and foreign telegraph services.

In determining gross operating revenue, receipts include cash, credits and property of any kind or nature without any deductions for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense.

Gross operating revenue from telegraph services includes receipts such as the following:

— Miscellaneous receipts from commissions, rent receipts, general service receipts, license receipts and other miscellaneous receipts.

— Any other transmission receipts.

Deductions allowed from receipts comprising gross operating revenue are uncollectible accounts and taxes imposed by New York State or its municipalities or the federal government where the taxpayer is merely a collecting agency for the taxing authority (e.g., state and local sales tax, federal excise taxes).

Line 22 — Enter 100% of receipts which comprise intrastate gross operating revenue from telegraph services wholly within New York State. If the taxpayer employs a Uniform System of Accounts as prescribed for federal or state regulatory purposes, enter the amount of receipts which comprise gross operating revenue as reflected in these accounts.

Lines 23 and 24 — Use the accounting rule method to allocate interstate and foreign gross operating revenue if the taxpayer employs a Uniform System of Accounts as prescribed for federal or state regulatory purposes and these accounts reflect the amount of gross operating revenue from interstate and foreign services attributable to New York State. Enter the amount of receipts which comprise interstate and foreign gross operating revenue from those accounts.

Lines 26-33 — Use the formula rule method to allocate interstate and foreign gross operating revenue if the taxpayer does not employ a Uniform System of Accounts as prescribed for federal or state regulatory purposes or if the accounting rule method does not properly reflect the amount of gross operating revenue from interstate and foreign transmission services attributable to New York State.

Formula Rule Allocation Method

Line 26 - Enter the average values of real property you owned and used in connection with interstate or foreign telegraph services. In column A, enter the average value of property physically located in New York State. In column B, enter the average value of all property wherever located. Average value is the cost of real property without allowance for depreciation or amortization. It is generally computed on a quarterly basis, but you may use a more frequent basis such as monthly, weekly or daily. The same method of valuation must be used with respect to real property within New York State and everywhere.

Line 27 - Enter the average value of real property rented to you that you used in connection with interstate or foreign telegraph services. In column A, enter the average value of property physically located in New York State. In column B, enter the average value of all property wherever located. The average value of real property rented to a taxpayer is determined by multiplying gross rents payable during the period covered by this return by eight. Gross rents include any amount payable as rent or in lieu of rent, such as interest, insurance, taxes, repairs, etc., and amortization of leasehold improvements that revert to the lessor at the termination of the lease.

Line 28 - Enter the average value of tangible personal property you owned that you used in connection with interstate or foreign telegraph services. In column A, enter the average value of property physically located in New York State. In column B, enter the average value of all property wherever located. Tangible personal property is corporeal personal property, such as machinery, tools, implements, goods, wares and merchandise. It does not include money, deposits in banks, shares of stock, bonds, notes, credits or evidences of an interest in property or debt, or intangible assets. Average value is the cost of tangible personal property without allowance for depreciation or amortization. It is generally computed on a quarterly basis, but you may use a more frequent basis such as monthly, weekly or daily. The same method of valuation must be used with respect to tangible personal property within New York State and everywhere.

Line 29 - Enter the average value of tangible personal property rented to you that you used in connection with interstate or foreign telegraph services. In column A, enter the average value of property physically located in New York State. In column B, enter the average value of all property wherever located. The average value of tangible personal property rented to a taxpayer is determined by multiplying gross rents payable during the period covered by this return by eight. See line 42 instructions for definition of gross rents.

Line 30 - Enter the average value of intangible assets owned within New York State and everywhere that are used in connection with interstate or foreign telegraph services. Intangible assets include, but are not limited to such items as patents, franchises and copyrights. Average value is the cost of intangible assets without allowance for depreciation or amortization. It is generally computed on a quarterly basis, but you may use a more frequent basis such as monthly, weekly or daily. However, you must use the same method of valuation with respect to intangible assets within New York State and everywhere. Intangible assets are determined to be within or outside New York State by allocating them to the commercial domicile of the taxpayer.

Line 31 - Enter the average value of extraterrestrial property within New York State and everywhere that is used in connection with interstate or foreign telegraph services. Extraterrestrial property refers to property such as communication satellites whether owned, rented or leased. Average value is the cost without allowance for depreciation or amortization or, if rented, the gross rental times eight. To determine the average value of extraterrestrial property within New York State, multiply the average value of extraterrestrial property everywhere by a percentage determined as follows:

Average value of satellite repeater facilities, earth stations, or other satellite communication facilities within New York State used in connection with interstate or foreign transmission services

divided by

Average value of satellite repeater facilities, earth stations, or other satellite communication facilities everywhere used in connection with interstate or foreign transmission services.

Line 34 — Enter the amount of receipts that comprise gross operating revenue from interstate telegraph transmission services and multiply by the formula rule allocation percentage from line 33.

Line 35 — Enter the amount of receipts that comprise gross operating income from foreign telegraph transmission services and multiply by the formula rule allocation percentage from line 33.

Schedule C — Tax Computation Based on Gross Earnings from Business in New York State

Line 39 — Enter total gross receipts earned from trucking services everywhere and multiply by the mileage allocation percentage computed on line 21. Cost of materials subsequently resold to customers may be deducted from gross receipts.

Line 40 — Enter total gross receipts earned from pipeline operations everywhere and multiply by the allocation percentage computed on line 21.

Line 41 — Enter total gross receipts earned from messenger services everywhere and multiply by the mileage allocation percentage computed on line 21.

Line 42 — Enter total intrastate and allocated interstate and foreign gross operating revenue from telegraph services from line 37.

Line 43 — Enter gross revenue from all telephone services, including receipts of cash, credits and property of any kind or nature without any deductions for the cost of property sold, the cost of materials used, labor, services or other costs, interest or discount paid, or any other expense. Examples of telephone services receipts include the following:

— All charges for carrier access services provided in New York State.

Local services receipts from subscriber's stations, public telephones, service stations, local private lines, and other local service receipts.

— Intrastate toll service receipts, toll private line services and other toll service receipts for calls that originate and terminate in New York State and any other telephone receipts, including the receipts from the transmission of voice, data, image, information, and paging, where the transmission originates and terminates in this state.

— Interstate and international toll service receipts, toll private line services and other toll service receipts for calls that originate or terminate in New York State and any other telephone receipts, including the receipts from the transmission of voice, data, image, information, and paging, where the transmission originates or terminates in this state.

— Receipts from services that are ancillary to the provision of telecommunication services, such as directory information, call forwarding, caller-identification, call-waiting and supplementary services provided in New York State.

— Receipts from equipment provided in connection with the provision of any telecommunication service in New York State.

— Receipts from incidental services provided in connection with any telecommunication service provided in New York State.

Gross operating revenue from telephone services does not include taxes imposed by New York State or its municipalities or the federal government where the taxpayer is legally obligated to collect the taxes for the taxing authority (e.g. state and local sales tax, federal excise taxes).

Line 44 — Enter here all receipts derived from the provision of inter-LATA, interstate or international telecommunications. Receipts from these telecommunications shall be deducted from gross operating revenue derived from telephone services. Carrier access charges may not be deducted from gross operating revenue.

Line 46 — Enter gross receipts from water transportation business both originating and terminating within New York State. Receipts from business beginning and ending in New York State but passing through another state or country must be allocated. Include only that part of the revenue received from such business as the miles in New York State compare to the total miles. Attach the computation of loop traffic allocation.

Line 47 — Enter gross receipts from railroad transportation business both originating and terminating within New York State. Receipts from business beginning and ending in New York State but passing through another state or country must be allocated. Include only that part of the revenue received from such business as the miles in New York State compare to the total miles. Attach the computation of loop traffic allocation.

Line 48 — Enter rental income received from use of real or tangible personal property within New York State. If tangible personal property is rented in New York State but used outside the state, the rental income must be included as gross earnings in New York State.

Line 49 — Enter the amount of interest and dividends received from investments in other corporations and interest bearing cash accounts. The interest and dividends are allocated to the domiciliary office of the taxpayer where the item is held, managed and controlled.

Line 50 — The profit on the sale or exchange of real and personal property is computed on the basis of the original cost less any expenses incurred in making the sale (e.g. advertising), not book value. Gain is allocated based on where the property is located or used.

Line 51 — Enter the gains from the sale or exchange of United States and New York State government securities. Gain is computed on the basis of original cost; brokerage expenses may be deducted in computing the gain. Capital gains **may not** be reduced by capital losses. Capital losses may not be used to reduce other receipts. Gains are allocated to the domiciliary office unless the security is held, managed and controlled by an office outside the domiciliary state.

Line 52 — Include on this line gross receipts from all other sources within New York State including gross receipts received by freight forwarders. Attach a statement showing the method of allocation.

Line 53 — Add lines 39 through 42 and lines 45 through 52; enter the total on line 53 and on line 1.

Schedule D — Annual Tax on Dividends

Line 56 — Enter dividends paid during the period from January 1, 1995, to December 31, 1995.

Schedule E — Composition of Prepayments on Line 9

If a discrepancy should arise between your records and ours, this information would assist us in resolving it promptly.