New York State Department of Taxation and Finance

2002

Instructions for Forms CT-4, CT-3, and CT-3-ATT General Business Corporation Franchise Tax Returns

CT-3/4-I

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Up-to-date information affecting your 2002 tax return

Visit the *Corporation Tax Up-to-Date Information* page on our Web site at *www.tax.state.ny.us* for Tax Law changes or forms corrections that occurred after the forms and instructions were printed.

Changes for 2002

Tax rates — The tax rate on entire net income for a general business taxpayer has been reduced to 7.5% for tax periods beginning on or after July 1, 2001. For more information, refer to the *Tax rates schedule* on page 5.

Long-term care insurance credit — This credit is effective for tax years beginning on or after January 1, 2002. The credit is equal to 10% of the premiums paid during the tax year for the purchase of qualifying long-term care insurance. For more information, see Form CT-249, *Claim for Long-Term Care Insurance Credit.*

Net operating losses — The federal Job Creation and Worker Assistance Act of 2002 temporarily extends, for federal tax purposes, the general net operating loss (NOL) carryback period from two to five years for certain net operating losses (NOLs) arising in tax years ending in 2001 and 2002. Taxpayers eligible for the five-year carryback for federal tax purposes may also use a five-year carryback for New York State tax purposes. For more information, see the instructions on either page 7 or 13.

Ordering of credits — The Tax Law has been amended to provide for a new ordering of credits. The legislation is retroactive to tax years beginning on or after January 1, 2000. Tax credits under Article 9-A must be applied in the following order:

1. Noncarryover credits that are not refundable
2. Empire Zone (EZ) and Zone Equivalent Area (ZEA) wage tax credits
3. Carryover credits that are of limited duration
4. Carryover credits that are of unlimited duration
5. Refundable credits

For more information, see *Line 79* instructions on page 17.

Investment tax credit relief (ITC) for property destroyed on September 11, 2001 — The Tax Law has been amended to provide ITC relief for property that was destroyed or ceased to be in qualified use as a direct result of the terrorist attacks of September 11, 2001. For more information, see TSB-M-02(3)C.

Extension of the ITC for the financial services industry — The Tax Law has been amended to extend the qualifying period of the ITC for the financial services industry under Article 9-A. Qualified property placed in service before October 1, 2008, is now eligible for the ITC for the financial services industry.

Attorney-in-fact entire net income subtraction — The Tax Law has been amended to provide an attorney-in-fact for a reciprocal insurance company with a subtraction from entire net income, if the reciprocal insurer has made the election provided for under Internal Revenue Code (IRC) section 835. The subtraction amount is limited to the difference between the amount paid or incurred in the tax year by the reciprocal insurer to the attorney-in-fact, and the deduction allowed the insurer pursuant to the IRC section 835 election.

Temporary increase in the mandatory first installment of estimated tax — The Tax Law has been amended to provide a temporary increase in the mandatory first installment for general business corporations (Article 9-A), whose preceding year's tax, exclusive of the MTA surcharge, exceeds $100,000. For tax years beginning on or after January 1, 2003, but before January 1, 2006, those taxpayers that formerly paid a mandatory first installment equal to 25% of the preceding year's tax will be required to pay a first installment equal to 30% of the preceding year's tax. Additionally, taxpayers subject to the MTA surcharge under section 209-B of the Tax Law that are required to pay their first installment at the 30% rate will also be required to calculate their estimated tax for the surcharge at 30% of the preceding year's MTA surcharge. The remaining three estimated tax payments are adjusted so that the total payments do not exceed 100% of the estimated tax due. For tax years beginning on or after January 1, 2006, the mandatory first installment reverts to 25% of the preceding year's tax.

The mandatory first installment remains at 25% of the preceding year's tax for those taxpayers whose preceding year's tax exceeded $1,000, but was less than or equal to $100,000. For more information, see TSB-M-02(5)C.

Change in interest rate on underpayments — The interest rate applicable to underpayments has been increased by two percentage points effective April 1, 2003. The new rate applies to underpayments that remain or become due on or after that date. See our Web site at *www.tax.state.ny.us* for the interest rates. For more information, see TSB-M-02(5)C.

Who must file

All general business corporations other than New York S corporations must file franchise tax returns on either Form CT-3 or Form CT-4. This includes both corporations organized under New York State law and foreign corporations (those organized under the laws of any other state or country) that do business, employ capital, own or lease property, or maintain an office in New York State. A general business corporation that has elected to be treated as an S corporation (by filing Form CT-6, *Election by a Federal S Corporation to be Treated As a New York S Corporation*) 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.

The definition of a corporation, as used in Article 9-A of the Tax Law and in these instructions, includes associations, limited liability companies, limited liability partnerships, and publicly traded partnerships that are taxed as corporations under the IRC. See TSB-M-89(12)C for further information.

A general business corporation includes all corporations **except:**

— Banking corporations (Article 32)

— Insurance corporations (Article 33)

— Transportation and transmission corporations (other than aviation corporations, corporations principally engaged in transportation, transmission, or distribution of gas, electricity, or steam (TTD corporations), and non-electing railroad and trucking corporations) (Article 9)

— Farmers and agricultural cooperatives (Article 9)

— Nonstock, not-for-profit corporations, no part of the net earnings of which inures to the benefit of any officer, director, or member

— Continuing section 186 taxpayers (Article 9)

Corporate partners

- If a partnership is doing business, employing capital, owning or leasing property, or maintaining an office in New York State, then all of its corporate general partners must file franchise tax returns.

- A foreign corporation is doing business, employing capital, owning or leasing property, or maintaining an office in New York State if it is a limited partner of a partnership (other than a portfolio investment partnership) that is doing business, employing capital, owning or leasing property, or maintaining an office in New York State, and if it is engaged, directly or indirectly, in the participation or in the domination or control of all or any portion of the business activities or affairs of the partnership. For additional information on foreign corporations engaged in such business activities, see NYS Reg sec 1-3.2(a)(6)(i).

Election by a foreign corporate limited partner

A foreign corporation that is a limited partner in one or more limited partnerships, subject to Article 9-A of the Tax Law solely as a result of NYS Reg Sec 1-3.2(a)(6) and that does not file a combined return, may elect to compute its tax by taking into account only its distributive share of the income, capital, owning or leasing property, or maintaining an office in New York State. Please attach a statement to your return indicating this election has been made. For more information, see NYS Reg sec 3-13.1.

Transitional provisions for the Gramm-Leach-Bliley Act extended and modified (Articles 9-A and 32)

Under the federal Gramm-Leach-Bliley Act, an entity was created called a *financial holding company* (FHC) that can own banks, insurance companies, and securities firms. As a result of the Gramm-Leach-Bliley Act, the Tax Law was amended in 2000 to allow certain corporations that were taxed under Article 9-A (Franchise Tax on Business Corporations) or Article 32 (Franchise Tax on Banking Corporations) in 1999 to retain their tax status in 2000. Taxpayers that have made the one-time election to remain taxable under Article 9-A, pursuant to section 1452(d) (the "grandfather election"), retain the authority to revoke that election. These transitional provisions, scheduled to expire for tax years beginning on or after January 1, 2001, have been extended for two years, so that they now expire for tax years beginning on or after January 1, 2003. For additional information, see TSB-M-02(1)C.

Which form to file

Form CT-4 is a simplified general business franchise tax return that meets the filing needs of many businesses. Review the requirements for filing Form CT-3 below. If you are not required to use Form CT-3, then you may use Form CT-4.

You must use Form CT-3 if any of the following conditions exist:

— You claim a deduction for optional depreciation.

— You claim any tax credits. See the instructions for line 79 on page 17 for a complete listing of tax credits.

— You are a real estate investment trust, a taxable domestic international sales corporation (DISC), or a stockholder in a DISC.

— You have business income or capital attributable to sources outside New York State, and you want to allocate this income and capital.

— You have investment income or capital.

— You have a subsidiary (another corporation of which you own more than half of its voting stock).

— You have federal adjustment or tax preference items other than the depreciation adjustment or the alternative net operating loss deduction.

— You are required to make an addition on Form CT-3, line 8. Additions required on line 8 include optional depreciation, worldwide income and losses, safe harbor lease adjustments, and addback of certain credits.

— You have a subtraction on Form CT-3, line 15, other than the subtractions allowed on Form CT-4, line 10. Subtractions required on line 15 include optional depreciation, receipts from the operation of school buses, wages disallowed in computation of federal jobs credit, and safe harbor lease adjustments.

— You are a corporation that is principally engaged in aviation.

Foreign corporations authorized to do business but disclaiming tax liability

Form CT-245, *Maintenance Fee and Activities Return for a Foreign Corporation Disclaiming Tax Liability.* A foreign corporation authorized to do business in New York State but disclaiming tax liability must file this form. The annual maintenance fee is $300, unless you file a short period return, which may reduce your maintenance fee to less than $300.

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

Combined returns

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

Other forms you may need to file

Form CT-3-B, *Tax Exempt Domestic International Sales Corporation (DISC) Information Return.* A tax-exempt DISC must file this form on or before the 15th day of the ninth month after the end of the tax year.

Form CT-3-C, *Consolidated Franchise Tax Return.* Stockholders of tax-exempt DISCs must file an individual return on Form CT-3 and a consolidated return with the DISC on Form CT-3-C.

Tax-exempt DISCs — A corporation that qualifies as a DISC under section 992(a) of the IRC is exempt from tax under Article 9-A of the Tax Law if during the year it received more than 5% of its:

- Gross sales from the sale of inventory or other property purchased from its stockholders.
- Gross rentals from the rental of property purchased or leased from its stockholders.
- Total receipts, other than sales or rentals, from its stockholders.

Taxable DISCs are DISCs that do not meet the 5% test. Taxable DISCs must file Form CT-3 on or before the 15th day of the ninth month after the end of the tax year. Such a DISC is subject to the tax on allocated capital or the fixed dollar minimum, whichever is higher, plus a tax on subsidiary capital. Write ***DISC*** after the name of the corporation in the address section of the return.

Form CT-3M/4M, *General Business Corporation MTA Surcharge Return*, must be filed by any corporation taxable under Article 9-A that does business, employs capital, owns or leases property, or maintains an office in the Metropolitan Commuter Transportation District (MCTD). The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Form CT-8, *Claim for Credit or Refund of Corporation Tax Paid.* Use Form CT-8 to request a refund other than of an overpayment. To speed up processing of the claim, mail it separately from your annual returns. You must file a claim for refund based on a net operating loss carryback 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. You must file a refund based on a federal change 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-9, *Claim for Tentative Refund from Carryback of Net Operating Loss.* All corporations requesting refunds based on net operating loss carrybacks should use Form CT-9.

Returns that are the basis for these refunds will be subject to review after the refunds have been processed. You must file the claim within 90 days after the receipt of the federal refund. Federal S corporations must file a claim within 15 months from the end of the loss year. For a full description of the limitation and requirements, see Form CT-9-I, *Instructions for Form CT-9.*

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

Form CT-60-QSSS, *Qualified Subchapter S Subsidiary Information Schedule.* You must file this form to notify the Tax Department that a qualified subchapter S subsidiary (QSSS) is included in your return. Remember to check the box on page 3 of Form CT-4 or page 4 (line 111) of Form CT-3, and attach Form CT-60-QSSS to either your Form CT-4 or CT-3.

Qualified subchapter S subsidiary (QSSS)

The filing requirements for a QSSS that is owned by a federal S corporation that is a New York C corporation or a nontaxpayer corporation are outlined below. Where New York State 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 C corporation —** New York State follows the federal QSSS treatment if (1) the QSSS is a New York State taxpayer, or (2) the QSSS is not a New York State taxpayer, but the parent makes a QSSS inclusion election. In both cases, the parent and QSSS are taxed as a single New York C corporation, and files Form CT-3 or CT-4. If the parent does not make a QSSS inclusion election, it files Form CT-3 or CT-4 as a New York C corporation on a stand-alone basis.

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 is not allowed unless both parent and QSSS are general business corporations. That is, the corporations must 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.

A foreign QSSS authorized to do business in New York State, whose activities are being included in the parent's return, must file Form CT-245 and pay the maintenance fee.

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 on its gross operating income, using Form CT-186-A.

Form CT-186-E, *Telecommunications Tax Return and Utility Services Tax Return*, or **Form CT-186-EZ, *Telecommunications Tax Return — Short Form.*** For further information, see Form CT-186-E-I, *Instructions for Form CT-186-E.* 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, using either of these forms.

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 services into New York State for their own use or consumption. The tax is computed at the rate of 1.9% of the consideration given for the gas. You must file Form CT-189 on a quarterly basis. (See TSB-M-91(5)C and TSB-M-97(3)C for more information.)

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

Form CT-240, *Foreign Corporation License Fee Return.* A corporation organized outside New York State (a foreign corporation) must file Form CT-240 to pay the license fee based on capital stock. You must file this return when you file your first franchise tax return, or if capital stock employed in New York State has increased since you filed the last license fee return. For more details, see Form CT-240.

Form CT-399, *Depreciation Adjustment Schedule.* You must file this form to compute the allowable New York State depreciation deduction if you claim 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. Use it also to compute the depreciation deduction for the minimum taxable income base.

Form CT-400, *Estimated Tax for Corporations.* You must file this form if your New York State franchise tax liability can reasonably be expected to exceed $1,000. For more information, see Form CT-400.

Form CT-3360, *Federal Changes to Corporate Taxable Income.* You must file this form to report any correction made by the IRS in taxable income previously reported for any year, including changes based on the renegotiation of a government contract.

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

When to file

File your return within 2½ months after the end of your reporting period. If you are reporting for the calendar year, your return is due on or before March 15. If your filing date falls on a Saturday, Sunday, or legal holiday, then you must file your return on or before the next business day.

Extensions if you cannot meet the filing deadline

If you cannot meet the filing deadline, you may request a six-month extension of time by filing Form CT-5, *Request for Six-Month Extension to File (For Franchise/Business Taxes, MTA Surcharge, or Both),* on or before the due date of the return.

You may request up to two additional extensions by filing Form CT-5.1, *Request for Additional Extension of Time to File (For Franchise/Business Taxes, MTA Surcharge, or Both).* File it on or before the expiration date of the original extension or previously filed additional extension.

Where to file

Use one of the following addresses to mail your **Form CT-3:**

With payment	Without payment
NYS CORPORATION TAX	**NYS CORPORATION TAX**
PROCESSING UNIT	**PROCESSING UNIT**
PO BOX 1909	**PO BOX 22095**
ALBANY NY 12201-1909	**ALBANY NY 12201-2095**

Use one of the following addresses to mail your **Form CT-4:**

With payment	Without payment
NYS CORPORATION TAX	**NYS CORPORATION TAX**
PROCESSING UNIT	**PROCESSING UNIT**
PO BOX 22093	**PO BOX 22101**
ALBANY NY 12201-2093	**ALBANY NY 12201-2101**

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

Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return and pay tax. However, if, at a later date, you need to establish the date you filed your return or paid your tax, you cannot use the date recorded by a private delivery service **unless** you used a delivery service that has been designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance. If you have used a designated private delivery service and need to establish the date you filed your return, contact that private delivery service for instructions on how to obtain written proof of the date your return was given to the delivery service for delivery. If you use **any** private delivery service, whether it is a designated service or not, address your return to: **State Processing Center, 431C Broadway, Albany NY 12204-4836.**

The current designated private delivery services are:

1. Airborne Express (Airborne):
   - Overnight Air Express Service
   - Next Afternoon Service
   - Second Day Service
2. DHL Worldwide Express (DHL):
   - DHL Same Day Service
   - DHL USA Overnight
3. Federal Express (FedEx):
   - FedEx Priority Overnight
   - FedEx Standard Overnight
   - FedEx 2 Day
   - FedEx International Priority
   - FedEx International First
4. United Parcel Service (UPS):
   - UPS Next Day Air
   - UPS Next Day Air Saver
   - UPS 2nd Day Air
   - UPS 2nd Day Air A.M.
   - UPS Worldwide Express
   - UPS Worldwide Express Plus

Penalties and interest

If you pay after the due date

If you do not pay the tax due on or before the original due date, you must pay interest on the amount of the underpayment from the original due date of the return (**without** regard to any extension of time for filing) to the date the tax is paid. Exclude from the interest computation any amount shown on Form CT-3, line 83a or 83b, or Form CT-4, lines 35a or 35b, 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.

If you file and pay after the due date

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 shown on Form CT-3, line 83a or 83b, or Form CT-4, line 35a or 35b, 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 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 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 when due, 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 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, 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.

If you understate your tax

If the tax you report is understated by 10% or $5,000, whichever is greater, you must 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)).

If you underpay your estimated tax

If you can reasonably expect your New York State franchise tax liability to exceed $1,000, you must file a declaration of estimated tax, 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 complete details see Form CT-222.

If you fail to provide information about interest paid to shareholders

Section 1085(n) of the Tax Law provides for a penalty of $500 for failure to provide information about interest payments made to shareholders that were deducted in computing entire net income.

If you fail to provide information about your 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. See instructions for Form CT-3, line 41.

Other 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 30 for address and telephone numbers).

Is this an amended return?

If you are filing an amended return for any purpose, including an amended return filed with Forms CT-8, CT-9, or CT-3360, check the *Amended return* box on the front of the return, under the form number.

Is this your final return?

Check the *Final return* box on the front 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 State corporation (New York Business Corporation Law section 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 State 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 IRC sections 332, 333, 334, and 337.

See *Voluntary dissolution and surrender of authority and liability for taxes and fees* on page 5 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 checkbox 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 *Foreign corporations authorized to do business but disclaiming tax liability* on 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 (for example, from Form CT-3 to CT-3-S, or from Form CT-4 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 the circumstances, the corporation would usually be liable for franchise taxes for each tax 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 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 procedure for obtaining a consent to voluntary dissolution or surrender of authority and the forms that must be filed with this department are set forth in Publication 110 (see *Need help?* on page 30 to request this information).

Corporations wishing to dissolve or surrender their authority to do business in New York State must contact the Tax Department. Call 1 800 327-9688 (Dissolution Unit) in the month you wish to stop conducting business in New York State.

New York S corporation termination year

When a New York S corporation terminates its federal or New York S election on a day other than the first day of a tax year, 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 or Form CT-4-S for the New York S short year and Form CT-3 or CT-4 for the New York C short year.

Computation of tax in S corporation termination year

The total tax for the S short year and the C short year (**both** calculated without regard to the fixed dollar minimum tax) may not be less than the fixed dollar minimum tax determined as if the corporation were a C corporation for the entire tax year. See the instructions for Form CT-3-S and Form CT-4-S and TSB-M-90(11)C for more information.

The due date of the New York S corporation short year return (Form CT-3-S or Form CT-4-S) is the same as the New York C corporation short year, even though they are treated as separate short tax years.

Reporting period

Your tax year for New York State must be the same as your federal tax year. Use this tax return for both calendar and fiscal tax years beginning in 2002, and for short periods beginning in 2003 and ending before December 31, 2003. 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.

Short periods — fixed dollar minimum tax and maintenance fee

Compute the gross payroll for tax periods of less than 12 months by dividing the amount of gross payroll by the number of months in the short period and multiplying the result by 12.

The fixed dollar minimum tax and maintenance fee may be reduced for short periods:

Period	Reduction
— Not more than six months	50%
— More than six months but not more than nine months	25%
— More than nine months	None

You are subject to the maintenance fee for the entire period in which you are authorized to do business in New York State (see page 2).

Overview of corporation franchise tax

Tax bases

Corporations subject to tax under Article 9-A of the Tax Law must compute four distinct taxes and pay the tax that results in the highest amount owed. The four taxes include a tax on entire net income, a tax on business and investment capital, a tax on minimum taxable income, and a fixed dollar minimum tax. In addition, if a corporation has any subsidiaries, it must pay a tax on its subsidiary capital. If you have any subsidiaries, you cannot file Form CT-4, but instead must file Form CT-3 or Form CT-3-A. For additional information, see *Which form to file* on page 2.

How to avoid an erroneous assessment based on fixed dollar minimum tax rates

The fixed dollar minimum tax rate is determined by the corporation's gross payroll, total receipts, and average value of gross assets.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount in each of the three boxes provided on Form CT-3,

Tax rates schedule

Tax base	Tax rates for tax years beginning after June 30, 2001, but before July 1, 2003	Tax rates for tax years beginning after June 30, 2003
Table I — Entire net income base for general business taxpayers	.075	.075
Table II — Entire net income base for qualified small business taxpayers		
Entire net income of $200,000 or less:	.075	.0685
Entire net income of more than $200,000 but not more than $290,000:	.075	• $13,700 • plus 7.5% of the amount over $200,000 • plus 3.25% of the amount over $250,000
Table III — Capital base	.00178	.00178
Table IV — Qualified cooperative housing corporation capital base*	.0004	.0004
Table V — Minimum taxable income base	.025	.025
Table VI — Fixed dollar minimum tax		
For a corporation with a gross payroll of:		
$6,250,000 or more:	$1,500	$1,500
More than $1,000,000 but less than $6,250,000:	$425	$425
More than $500,000 but not more than $1,000,000:	$325	$325
More than $250,000 but not more than $500,000	$225**	$225**
$250,000 or less:	$100**	$100**
However, if the corporation's gross payroll, total receipts, and average value of gross assets are each $1,000 or less:	$800	$800
Table VII — Subsidiary capital base	.0009	.0009

*See *Cooperative housing corporations* on page 6.

****Foreign authorized corporations:** If the total of your tax (including tax imposed under Article 9) and MTA surcharge is less than $300, you must increase your payment accordingly to satisfy the $300 maintenance fee requirement.

line 74, or Form CT-4, lines 31, 32, and 33. If you do not have assets, payroll, or receipts, enter "0" in the appropriate boxes.

Failure to make an entry in each box may result in an assessment of tax or reduction of your refund or credit.

Cooperative housing corporations

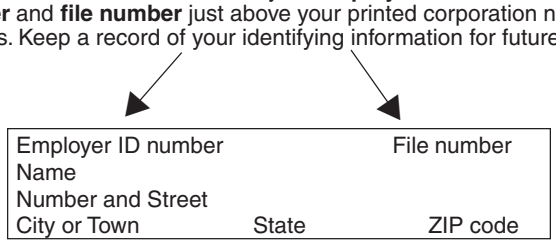
A qualified cooperative housing corporation is entitled to use a reduced tax rate of .0004 when computing its tax using the capital base.

A corporation that has only one class of stock, that entitles the shareholder to live in a house or an apartment in a building owned or leased by the corporation, may be a cooperative housing corporation. For a complete definition, see IRC section 216.

How to fill out your tax return

Important identifying information

When preparing your corporation tax return, please be sure to accurately complete the corporation's identifying information including your current address. You will find your **employer identification number** and **file number** just above your printed corporation name and address. Keep a record of your identifying information for future use.



If you use a paid preparer or accounting firm, make sure they use your complete and accurate information when completing all forms prepared for you.

Are you claiming an overpayment?

If you are claiming an overpayment on line 46 of Form CT-4, or line 94 of Form CT-3, check the box on the front of your return next to your EIN and file number.

Name, address, and business information

Enter corporation's legal name, and also enter corporation's mailing name if different from corporation's legal name.

If your address has changed, please enter your new address in the appropriate area and check the box under the address so that we can update your address for this tax type. Do not check this box for any change of business information other than for your address.

You must report any changes in your business name, ID number, mailing address, physical address, telephone number, or owner/officer information on Form DTF-95, *Business Tax Account Update*. If only your address has changed, you may use Form DTF-96, *Report of Address Change for Business Tax Accounts*, to correct your address for this and all other tax types. You can get these forms by fax, phone, or from our Web site. See *Need help?* on page 30 for the phone number and Web address.

NAICS business code number and business activity

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

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. Round any amount less than 50 cents to the next lower dollar.

Negative amounts

Show any negative amounts in parentheses.

Percentages

When computing percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Carry percentages to four decimal places. For example: 5,000/7,500 = 0.6666666 = 66.6667%.

Signature

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

The return of an association, publicly traded partnership, or business conducted by a trustee or trustees must be signed by a person authorized to act for the association, publicly traded partnership, or 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.

Is your return in processible form?

Returns must be prepared in a manner that will permit their routine handling and processing. We will not pay interest on an overpayment of taxes until a return is in a processible form that includes a required signature.

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.

We will accept computer-produced corporation tax returns 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 postcard that you or whoever prepares your return should use to confirm your employer identification number, file number, and mailing information on your next return. By checking this box, you will help us reduce printing and mailing costs.

Line instructions for Form CT-4, *General Business Corporation Franchise Tax Return Short Form*

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.***

Computation of entire net income base

Line 1

Enter your federal taxable income (before net operating loss and special deductions) as required to be reported to the U.S. Treasury Department.

— If you file federal Form 1120, use the amount from line 28.

— If you file federal Form 1120-A, use the amount from line 24.

— If you file federal Form 1120-H, use the amount from line 19.

— If you are a member of a federal affiliated group that files a consolidated return, complete a pro forma 1120 reporting the federal taxable income you would have been required to report on a separate federal tax return, and attach a copy of the federal consolidating workpaper indicating your separate taxable income before any elimination of intercorporate transactions included in the federal consolidated return.

— If you are a federal S corporation filing federal Form 1120S but you have not made an election to be treated as a New York State S corporation, you must determine the amount you would have had to report as federal taxable income (before net operating loss and special deductions) were you not a federal S corporation. Attach a separate sheet showing how you determined this amount. In general, the items affected are:

Dividends — Form 1120, line 4

Interest — Form 1120, line 5

Gross rents — Form 1120, line 6

Gross royalties — Form 1120, line 7

Capital gain net income — Form 1120, line 8

Charitable contributions — Form 1120, line 19

— If you are exempt from federal income tax but subject to New York State franchise tax, you must determine the amount you would have had to report as federal taxable income (before net operating loss and special deductions) were you not exempt. Attach a separate sheet showing how you determined the amount.

Lines 2 through 5 — Additions

Use lines 2 through 5 to add items that are not included in federal taxable income but that 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 federal income tax 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 in computing federal taxable income for interest on indebtedness paid to a corporate stockholder owning more than 50% of your issued and outstanding voting stock. If you do not make this entry, the indebtedness will not constitute subsidiary capital in the hands of such corporate stockholder, and the stockholder will not be allowed to exclude the interest from its entire net income (ENI) as income from subsidiary capital.

Interest on indebtedness paid to a corporate stockholder is only required to be added back to ENI by the payor, when the corporate stockholder payee has deducted the interest as income attributable to subsidiary capital on its New York State franchise tax return.

Line 4

Enter the amount deducted on your federal return for New York State taxes imposed under Article 9, sections 183, 183-a, 184, 184-a, and Articles 9-A and 32. This includes the MTA surcharge. However, do not include New York City taxes. 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 tax or taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 5

Use this line if:

- The corporation claims the federal ACRS/MACRS deduction for property placed in service either **inside or outside** New York State after 1980 in tax periods beginning before 1985.
- The corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property.
- The corporation disposes of ACRS/MACRS property this year and the New York depreciation modifications applied in prior years.

If this line applies, complete Form CT-399. Include from Form CT-399, Part I, line 1, column E, the amount of your federal deduction that must be added back to federal taxable income, or, if you disposed of property this year, use the amount from Form CT-399, Part III, line 8, column A. (Enter your recomputed deduction on line 8 of this form.)

Lines 7 through 9 — Subtractions

Use lines 7 through 9 to subtract items that are included in federal taxable income but should not be included in New York State entire net income.

Line 7

Enter any New York State net operating loss carried forward from prior years. Attach a separate sheet with full details of both federal and New York State net operating losses claimed.

You must determine a New York State net operating loss deduction (NOLD) as if you had elected under IRC section 172 to relinquish the carryback provisions, except for the first $10,000, which you may carry back to the preceding years (section 208.9(f)).

These rules apply:

A. IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b), and (g).

B.
- For net operating losses incurred in tax years beginning **on or before** August 5, 1997, the NOL may be carried back three years and carried forward 15 years.
- For net operating losses incurred in tax years beginning **after** August 5, 1997, the NOL may be carried back only two years instead of three years, but may be carried forward for 20 years (with an exception for certain disaster losses).
- For certain net operating losses incurred in tax years ending in 2001 and 2002, the NOL may be carried back five years, unless the taxpayer elects for federal tax purposes to disregard the five-year carryback. If you are claiming a five-year carryback, please attach a schedule of the computation. For more information, see TSB-M-02(2)C.

C. If you have elected to carry back a net operating loss for federal tax purposes, you may carry back only the first $10,000 of a net operating loss to the preceding years. Use Form CT-9, *Claim for Tentative Refund Based upon Carryback of Net Operating Loss,* to request a refund based on a net operating loss carryback.

D. Any portion of the $10,000 NOL not used as a carryback may be carried forward.

E. If you have elected for federal tax purposes to relinquish the carryback of a net operating loss, you may not carry back a net operating loss for state tax purposes, and you must submit a copy of your federal election.

F. No deduction is allowed for a net operating loss sustained during any year in which the corporation was not subject to tax under Article 9-A.

G. The New York State net operating loss deduction for any particular year is limited to the federal net operating loss deduction for that year. (For the purposes of this limitation, a corporation that has elected to carry back up to $10,000 of its net operating loss for New York State purposes should compute its federal net operating loss deduction as if it only carried back the same $10,000 (see items C, D, and E)).

H. A New York C corporation is not allowed a deduction for a net operating loss sustained during a New York S year.

I. These rules also apply to a federal S corporation not electing New York S corporation treatment, and to any corporation included in a consolidated group for federal purposes, but filing on a separate basis for New York State purposes. These corporations should compute their net operating losses and net operating loss deductions as if filing on a pro forma or separate basis for federal income tax purposes. However, instead of a copy of the federal election to relinquish the carryback of a net operating loss, you must file a request in writing to relinquish the carryback on or before the due date (or extended due date) of the return for the loss year. Any corporation that does not file a request on time with the Tax Department must carry the first $10,000 of the net operating loss back before the loss can be carried forward.

J. A real estate investment trust is allowed a deduction for net operating losses.

Line 8

Use this line if:

- The corporation claims the federal ACRS/MACRS deduction for property placed in service either **inside or outside** New York State after 1980 in tax periods beginning before 1985.
- The corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property.
- The corporation disposes of ACRS/MACRS property this year and the New York depreciation modifications applied in prior years.

If this line applies, in place of the disallowed ACRS and MACRS deduction entered on line 5, you may compute a depreciation deduction by any method permitted under IRC section 167 (as it would have applied to property placed in service on December 31, 1980). For more

information, see Form CT-399. Enter the amount from Form CT-399, Part I, line 1, column I, or, if you have disposed of property this year, use the amount from Form CT-399, Part III, line 8, column B, and attach the form.

Line 9

If you have received a credit or refund of tax for which you were not previously allowed to take a deduction when you determined your entire net income, but which was included in your federal taxable income, enter the amount of the credit and refund. The taxes to which this provision is applicable include the taxes imposed by Article 9-A and Article 32, as well as by sections 183, 183-a, 184, and 184-a of the New York State Tax Law.

Line 11

Subtract line 10 from line 6 to determine your entire net income. Show a loss by using parentheses.

Line 12 — Entire net income base tax computation

General business taxpayers and small business taxpayers

For tax years beginning in 2002, the tax rate is 7.5% for **both** small business taxpayers, as defined below, and general business taxpayers that do not qualify as small business taxpayers. Multiply line 11 by 7.5%. Enter the amount on line 12 and on line 28, and continue with line 13.

For tax years beginning on or after July 1, 2003, see the *Tax rates schedule* on page 5.

Small business taxpayers

A corporation qualifies as a small business taxpayer if:

— its entire net income (before allocation) is not more than $290,000, **and**

— the total amount of money and other property it received for stock, as a contribution to capital and as paid-in surplus, is not more than $1 million as of the last day of its tax year, **and**

— 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.

Short periods: A corporation that files Form CT-4 for a tax year of less than 12 months must annualize entire net income from Form CT-4, line 11, to determine if it qualifies as a small business taxpayer. For a period of less than 12 months, annualize the entire net income (line 11) by dividing it by the number of months in the short period and multiplying the result by 12.

Computation of capital base

Lines 13 through 19

To determine the value of your assets for the capital base computations, you must include real property and marketable securities at fair market value. All other property must be included at the value shown on your books in accordance with generally accepted accounting principles. Use lines 13 through 17 to adjust the value of the assets you reported on your federal return. If you are not required to complete the balance sheet on your federal tax return, use the amount that would have been reported on the federal return.

On lines 13 through 18, enter the values at the beginning of the year in column A and at the end of the year in column B. Enter the average value in column C. *Average value* is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis such as monthly, weekly, or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

Line 13

Enter your total assets from the balance sheet of your federal tax return.

Line 14

Enter the federal balance sheet value of any real property and marketable securities included on line 13.

Line 16

Enter the fair market value of real property and marketable securities included on line 14. The *fair market value* of an asset is the price (without deduction of an encumbrance whether or not the taxpayer is personally liable) at which a willing seller will sell and a willing purchaser will buy. You can generally find the fair market value of marketable securities from price quotes in financial newspapers. See TSB-M-85(18.1)C for determination of fair market value of real property.

Line 18

Enter the amount of all liabilities attributable to assets on line 13, both long and short term.

Use the same method of averaging used to determine average value of assets.

Line 20

Capital base tax computation: Multiply line 19 by the tax rate of .00178. Cooperative housing corporations multiply line 19 by .0004. Enter the result on line 29, but do not enter more than $350,000. If you have been taxable in New York State for less than two years, read the instructions for line 29 on page 9 to see if you qualify as a new small business corporation.

Short periods — If a tax return is for a period of less than 12 months, determine the amount of business capital by multiplying the average value by the number of months covered by the return and dividing by 12. See 20 NYCRR section 3-3.7.

Computation of minimum taxable income base

Lines 21 through 27

To calculate your minimum taxable income (MTI), you must add to your entire net income federal tax preference items, and add or subtract certain federal adjustments used to compute federal alternative minimum taxable income (federal Form 4626). To complete the calculation, add the New York State net operating loss deduction and subtract the alternative net operating loss deduction.

You must determine a minimum taxable income base and tax whether or not you file federal Form 4626, *Alternative Minimum Tax — Corporations*.

If you have any federal adjustment or tax preference items **other than the depreciation adjustment** or the alternative net operating loss deduction, you may not use Form CT-4. Use Forms CT-3 and CT-3-ATT to compute your tax.

Line 22

If you are required to complete Form CT-399, Part IV, enter the amount from Form CT-399, line 13 or 14.

If you are not required to complete Form CT-399, Part IV, enter the amount from federal Form 4626, line 2a.

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

Attach a copy of Form CT-399 or federal Form 4626 to your return.

Line 23

Enter the New York net operating loss deduction from Form CT-4, line 7.

Line 25

Enter your alternative net operating loss deduction (ANOLD). Attach a separate sheet with full details of the New York State alternative net operating losses (ANOL) claimed.

Determine the ANOL deduction in the manner described above, in line 7, for computing the regular net operating loss deduction, except that you must redetermine the net operating loss for any year beginning after 1989 that is included in the ANOLD with the adjustments and tax preferences required to be utilized in computing the minimum taxable income for that year. (**Note:** The required add-back of regular NOLD is not an adjustment or tax preference.) Take an item of tax preference into account only to the extent it increased the regular net operating loss. In determining the ANOLs carrying into the ANOLD of any given year, the following rules apply:

A. Exclude losses from years when the taxpayer was not subject to Article 9-A.

B. Pre-1990 NOLs available for carryforward to 1990 under the regular tax are available for carryforward to 1990 under the minimum tax, and without the application of minimum tax adjustments.

C. ANOLs must be carried to the appropriate carry years under D, whether or not the tax on MTI is the highest tax for the particular carry year.

D. ANOLs must be carried using the conventions of IRC 172 (b) (2). The carryback must be exhausted in the earliest available carry year, except as provided in E and F below.

- For net operating losses incurred in tax years beginning **after** August 5, 1997, the ANOL may be carried back only two years instead of three years, but may be carried forward for 20 years (with an exception for certain disaster losses).
- For net operating losses incurred in tax years beginning **on or before** August 5, 1997, the ANOL may be carried back three years and carried forward 15 years until used up.
- For certain net operating losses incurred in tax years ending in 2001 and 2002, the ANOL may be carried back five years unless the taxpayer elects for federal tax purposes to disregard the five-year carryback. If you are claiming a five-year carryback, please attach a schedule of the computation.

E. The carryback of each ANOL is limited to $10,000, as is the case with the regular tax NOLD.

F. The federal election to forego carryback of an NOL applies to the related New York State ANOL.

G. ANOLs must be applied against 90% of MTI (determined without regard to the ANOLD) each year, even though some lower limitation on the ANOLD actually applies for that year. Limitations on the ANOLD are described in H through J below.

H. In applying the carry out rules under D above, ANOLs must be carried out to tax years beginning in 1990 through 1993, even though no ANOLD was allowed in those years.

I. For tax years beginning in 1994, the ANOLD is limited to 45% of MTI, computed without regard to the ANOLD, and thereafter to 90% of MTI, computed without regard to the ANOLD.

J. The ANOLD for any particular year is limited to the federal regular tax NOLD for that year.

For more information, see TSB-M-94(5)C.

Line 27

If your highest tax is based on the minimum taxable income base, you may be allowed a minimum tax credit in a future year. You should complete Form CT-3-ATT, Schedule B, Part I, this year to compute your adjusted minimum tax. Keep it for your records. Use this to determine your minimum tax credit to be used against your tax on entire net income in the future.

Computation of tax

Lines 28 through 50

Line 29

Enter the tax computed on your capital base from line 20. Do not enter more than $350,000.

A new small business corporation may claim an exemption from the tax on the capital base for its first two tax years if it meets the requirements below. If you are claiming this exemption, enter "0" on line 29 and check the box indicating which year the exemption is for. You will continue to be liable for the highest tax computed on lines 27, 28, or 30. Attach a separate sheet covering all points listed below. If you do not supply the information, we will disallow the exemption.

Do not confuse this definition with the definition of a small business taxpayer in the instructions for line 12.

To qualify, the corporation must meet the federal definition of a small business corporation (IRC section 1244(c)(3), disregarding the second sentence of subparagraph (A)). The requirements are:

— The total amount of money and other property the corporation received for stock, as a contribution to capital and as paid-in surplus, may not be more than $1 million on the last day of its tax year.

— The corporation cannot be similar in ownership and operations to a business now taxable or previously taxable under New York State Tax Law, Article 9 (section 183, 184, 185, or 186), 9-A, 22, 32, or 33 (or a business entity which had income or losses includable under Article 22 or which would have been taxable under Article 23 had that article not been repealed).

— 90% of the corporation's assets and 80% of its employees must be located in New York State.

— The corporation cannot have as a shareholder a corporation that owns over 50% of its voting stock, and that is taxable under Article 9 (section 183, 184, 185, or 186), Article 9-A, 32, or 33, unless the corporation itself qualifies as a small business corporation.

Line 30 — Fixed dollar minimum tax

The fixed dollar minimum tax is determined by the corporation's gross payroll, total receipts, and average value of gross assets.

See Table VI of the *Tax rates schedule* on page 5 to determine the applicable fixed dollar minimum tax.

Homeowners' associations with no federal taxable income are not subject to the fixed dollar minimum tax and must enter "0" on line 30.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on each of lines 31, 32, and 33. If you do not have gross assets, gross payroll, or total receipts, enter "0" in the appropriate boxes. A corporate partner should include its proportionate part of the partnership's payroll, receipts, and assets.

Line 31 — Gross payroll

Enter the total wages, salaries, and other personal services compensation of all employees, including general executive officers, wherever located. For a period of less than 12 months, annualize gross payroll by dividing it by the number of months in the short period and multiplying the result by 12.

Use the total amounts shown on federal Form 1120 or Form 1120-A, lines 12 and 13, including any employment credits deducted on line 13, plus any wages included in the cost of goods sold, Form 1120, Schedule A, line 3.

Line 32 — Total receipts

Enter receipts from the sales of tangible personal property, services performed, rentals, royalties, receipts from the sales of rights for closed circuit and cable television transmissions, and all other business receipts received in the regular course of business. These items can be found on federal Form 1120 or 1120-A, *Income Section*, lines 1c, 6, 7, and 10.

Line 33 — Average value of gross assets

Enter the average fair market value of real property and marketable securities, plus all other property at the value shown on your books, in accordance with generally accepted accounting principles. Use the amount from Form CT-4, line 17, column C.

Line 35b

If the tax on line 34 exceeds $1,000 and you did not file Form CT-5, a mandatory first installment is required for the period following the one that is covered by this return. If the tax on line 34 exceeds $1,000, but does not exceed $100,000, enter 25% of the tax shown on line 34. If the tax on line 34 exceeds $100,000, enter 30% of the tax shown on line 34.

Line 39

If you underpaid your estimated tax, use Form CT-222 to compute the penalty. Attach Form CT-222. Check the box and enter the penalty on this line.

Lines 40 and 41

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

Lines 43 and 44

If you want to make a contribution to Return a Gift to Wildlife or the Breast Cancer Research and Education Fund, 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 cannot change the amount of your gift after you file your return. For more information, see page 29.

Line 46—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 request a refund. 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 such credited amount, you must claim a refund of such overpayment prior to the original due date of the following year's return.

Lines 47 through 50

You may apply an overpayment as a credit to your next state franchise tax period, or to your MTA surcharge for this period, or you may have it refunded. Indicate on these lines the amounts of overpayment you wish credited 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 Internal Revenue Service (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 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.

Lines 57 through 61 — Interest paid to shareholders

Corporations that made interest payments, deducted in computing entire net income, to a shareholder or shareholders owning, directly or indirectly, individually or in the aggregate, more than 50% of its issued capital stock, must provide the information requested in this section (section 211.2-a). A penalty of $500 is imposed for failing to provide this information (section 1085(n)).

Line 66 — Interest deducted

Enter the total amount of interest deducted on your federal return that you used in computing your federal taxable income on line 1.

Line instructions for Form CT-3, *General Business Corporation Franchise Tax 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***.

Computation of entire net income base

Line 1

Enter your federal taxable income (before net operating loss and special deductions) as required to be reported to the U.S. Treasury Department.

— If you file federal Form 1120, use the amount from line 28.

— If you file federal Form 1120-A, use the amount from line 24.

— If you file federal Form 1120-H, use the amount from line 19.

— If you are a member of a federal affiliated group that files a consolidated return, complete a pro forma 1120 reporting the federal taxable income you would have been required to report on a separate federal tax return, and attach a copy of the federal consolidating workpaper indicating your separate taxable income before any elimination of intercorporate transactions included in the federal consolidated return.

— If you are an S corporation filing federal Form 1120S but you have not made an election to be treated as a New York S corporation, you must determine the amount you would have had to report as federal taxable income (before net operating loss and special deductions) were you not a federal S corporation. Attach a separate sheet showing how you determined this amount. In general, the items affected are:

Dividends — Form 1120, line 4

Interest — Form 1120, line 5

Gross rents — Form 1120, line 6

Gross royalties — Form 1120, line 7

Capital gain net income — Form 1120, line 8

Charitable contributions — Form 1120, line 19

— If you file Form 1120-F, use the amount from Section II, line 29. Adjustments to worldwide income and loss are required on line 8 of Form CT-3.

— If you are exempt from federal income tax but subject to New York State franchise tax, you must determine the amount you would have had to report as federal taxable income (before net operating loss and special deductions) were you not exempt. Attach a separate sheet showing how you determined the amount.

Lines 2 through 8 — Additions

Use lines 2 through 8 to add items that you did not include in federal taxable income but that you must include 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 federal income tax 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 in computing federal taxable income for interest on indebtedness paid to a corporate stockholder owning more than 50% of your issued and outstanding voting stock. If you do not make this entry, the indebtedness will not constitute subsidiary capital in the hands of such corporate stockholder, and the stockholder will not be allowed to exclude the interest from its entire net income (ENI) as income from subsidiary capital.

Interest on indebtedness paid to a corporate stockholder is only required to be added back to ENI by the payor, when the corporate stockholder payee has deducted the interest as income attributable to subsidiary capital on its New York State franchise tax return.

Lines 4a, 4b, 5a, and 5b — Subsidiaries

If you have a subsidiary, you must complete Form CT-3-ATT, Schedule D. If you have subsidiary capital included on Form CT-3-ATT, line 53, column C, complete lines 4a, 4b, 5a, and 5b to report any expenses directly or indirectly attributable to subsidiary capital. See TSB-M-88(5)C for complete details on the attribution of **interest** expenses and TSB-M-95(2)C on the attribution of **noninterest** expenses. If you do not have a subsidiary, enter "0" on lines 4a, 4b, 5a, and 5b. See definitions of *subsidiary* and *subsidiary capital below*.

A *subsidiary* is a corporation (except a DISC) of which over 50% of the number of shares entitling the holders to vote for the election of directors or trustees is owned by the taxpayer. The test of ownership is actual beneficial ownership, rather than mere record title as shown by the stock books of the issuing corporation. *Actual beneficial ownership* of stock does not mean indirect ownership or control of a corporation through a corporate structure consisting of several tiers, chains, or both. A limited liability company (LLC) that is over 50% owned by a corporation and elects to be treated as a corporation for federal tax purposes is a *subsidiary.* See 20 NYCRR 3-6.2 for additional information.

Subsidiary capital is the value of certain assets reduced by attributable liabilities. These assets include all investments in the stock of subsidiary corporations, plus all debts from subsidiary corporations (other than accounts receivable acquired for services rendered or property sold to customers in the ordinary course of business) whether or not evidenced by bonds or other written instruments, on which

interest is not claimed and deducted by the subsidiary under Article 9-A, 32, or 33 of the New York State Tax Law. For more information, see 20 NYCRR 3-6.3.

Line 4a

Enter the amount of **interest** deductions allowed in the computation of entire net income (includable in the amount on *Line 5a Worksheet*, line E, on page 12) that are **directly** attributable to subsidiary capital (or to income, losses, or gains from subsidiary capital).

Line 4b

Enter the amount of **noninterest** deductions allowed in the computation of entire net income (includable in the amount on *Line 5b Worksheet*, line E on page 12) that are **directly** attributable to subsidiary capital (or to income, losses, or gains from subsidiary capital).

The direct attribution of deductions is based on an analysis of facts and circumstances. Deductions directly attributable to subsidiary capital or income include but are not limited to the following:

— Interest on debt incurred to buy subsidiary capital.

— Salaries of employees engaged in the management, supervision, or conservation of subsidiary capital.

— Expenses for legal advice relating to the acquisition of subsidiary capital.

— Stewardship deductions relating to subsidiary capital.

Do not include on lines 4a and 4b interest deductions or noninterest deductions that are directly attributable to:

— Investment capital (or to income, losses, or gains from investment capital); see Form CT-3-ATT, line 41 and line 42.

— Business capital (or to income, losses, or gains from business capital).

Note: For tax years beginning in 1995 or after, certain expenses may, at the taxpayer's election, be **deemed** to be directly attributable to business capital (or income, losses, or gains from business capital). These expenses include, among others: depletion, advertising, research and development expenses, compensation packages of chief executive officer, chief financial officer, and chief operating officer, charitable contributions, and internal auditing expenses. For a complete listing of deductions so **deemed** attributable to business capital, see section III (A)(1) of TSB-M-95(2)C.

If at least 95% of the noninterest deductions of an operating division or corporation are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division or corporation may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Complete lines 5a and 5b if you have subsidiary capital includable on Form CT-3-ATT, line 53, column C (otherwise, enter "0" on lines 5a and 5b).

Line 5a

Compute the amount of **interest** deductions that are **indirectly** attributable to subsidiary capital (or to income, gains, or losses from subsidiary capital) using *Line 5a Worksheet,* on page 12.

Line 5b

Enter the amount of **noninterest** deductions that are **indirectly** attributable to subsidiary capital (or to income, gains, or losses from subsidiary capital) using *Line 5b Worksheet,* on page 12.

Line 6

Enter the amount deducted on your federal return for New York State taxes imposed under Article 9, sections 183, 183-a, 184, 184-a, and Articles 9-A and 32. This includes the MTA surcharge. However, do not include New York City taxes. 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 tax or taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 7

Use this line if:

- The corporation claims the federal ACRS/MACRS deduction for property placed in service either **inside or outside** New York State after 1980 in tax periods beginning before 1985.
- The corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property.
- The corporation disposes of ACRS/MACRS property this year and the New York depreciation modifications applied in prior years.

If this line applies, complete Form CT-399. Include from Form CT-399, Part I, line 1, column E, the amount of your federal deduction that must be added back to federal taxable income, or if you disposed of property this year, use the amount from Form CT-399, Part III, line 8, column A. (Enter your recomputed deduction on line 14.)

Line 8

If you have any of the following other additions to federal taxable income, enter the total amount of those additions and attach a list.

Note: The foreign trade income of a foreign sales corporation, which is excluded from gross income for federal income tax purposes, is not required to be added back in determining New York State entire net income.

A-1 Optional depreciation — If you have claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, you must include on this line any depreciation and any federal losses on the disposition of that property that you deducted from gross income when determining federal taxable income. Make the adjustment for New York gain or loss on qualified New York State property on line 23. See additional instructions for line 15, S-1. Attach Form CT-324, *Schedule of Optional Depreciation on Qualified New York Property*.

A-2 Worldwide net income and losses — A corporation organized outside the United States must include on this line all income from sources outside the United States, minus all allowable deductions attributable to it, that was not included in federal taxable income.

A-3 If you are claiming a special additional mortgage recording tax credit (section 210.17), you must include on this line the amount claimed as a credit and used as a deduction in the computation of federal taxable income. The gain on the sale of real property on which the special additional mortgage recording tax credit was claimed must be increased when all or any part of the credit was also used in the basis for computing the federal gain.

A-4 If your corporation has a safe harbor lease you must include:

— Any amount you claimed as a deduction in computing federal taxable income solely as a result of an election made under section 168(f)(8) of the IRC as it was in effect on December 31, 1983.

— Any amount you would have been required to include in the computation of your federal taxable income if you had not made the election permitted under section 168(f)(8) of the IRC as it was in effect on December 31, 1983.

A-5 If you are claiming a farmers' school tax credit, you must include on this line the amount of real property taxes paid on qualified agricultural property and deducted in determining federal taxable income, to the extent of the amount of the credit allowed under section 210.22.

A-6 Qualified emerging technology investments (QETI) — If you elected to defer the gain from the sale of QETI, then you must add to federal taxable income the amount previously deferred when the reinvestment in the New York qualified emerging technology company (QETC) that qualified you for that deferral is sold. See subtraction S-6 on page 14.

(continued on page 13)

Line 5a worksheet

Interest deductions indirectly attributable to subsidiary capital

A. Enter federal interest deductions shown on federal Form 1120, line 18 ..... A. _____

B. Enter amounts of interest deductions included on line A that must be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3, line 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3, line 15.

Enter the Form CT-3 line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total B. _____

C. Balance *(subtract B from line A)* ..... C. _____

D. Enter amounts of interest deductions that must be subtracted from federal taxable income in computing entire net income (for example, the interest deductions taken in computing the amount on Form CT-3, line 2, or amounts related to foreign source income not included on federal Form 1120).

Enter the Form CT-3 line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

E. Total New York State interest deductions included in entire net income *(add lines C and D)* ..... E. _____

F. Enter any interest deductions directly attributable to subsidiary capital included on Form CT-3, line 4a ... F. _____

G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-ATT, line 41 ..... G. _____

H. Enter any interest deductions directly attributable to business capital ..... H. _____

I. Subtotal *(add lines F, G, and H)* ..... I. _____

J. Interest deductions subject to indirect attribution *(subtract line I from line E)* ..... J. _____

K. Enter the amount from Form CT-3-ATT, line 53, column C ..... K. _____

L. Enter the amount from Form CT-3, line 30, column C ..... L. _____

M. Percentage *(divide line K by line L)* ..... M. _____ %

N. Amount of interest deductions indirectly attributable to subsidiary capital *(multiply line J by line M; enter this amount on Form CT-3, line 5a)* ..... N. _____

Line 5b worksheet

Noninterest deductions indirectly attributable to subsidiary capital

A. Enter federal noninterest deductions shown on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) ..... A. _____

B. Enter amounts of noninterest deductions included on line A that must be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3, lines 4b and 5b). Include the New York State excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that amounts are subtracted in computing entire net income for prior taxable years that began on or after January 1, 1987.

Enter the Form CT-3 line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* ..... C. _____

D. Enter amounts of noninterest deductions listed below that must be subtracted from federal taxable income in computing entire net income.

— For a taxpayer organized outside the United States, deductions attributable to income that is not included in federal taxable income but must be included in entire net income (for example, foreign source income) (20NYCRR 3-2.3(a)(9)).

— The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to section 280C of the IRC (section 208.9(a)(7)).

— Depreciation deductions permitted under Article 9-A for **decoupled** property pursuant to Tax Law, section 208.9(a)(11) and (12).

— Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law, section 208.9(a)(10).

— The noninterest deductions taken in computing the amount on Form CT-3, line 2.

Enter the Form CT-3 line numbers and amounts below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total D. _____

E. Total New York State noninterest deductions included in entire net income *(add lines C and D)* ... E. _____

F. Enter noninterest deductions directly attributable to subsidiary capital, from Form CT-3, line 4b ..... F. _____

G. Enter noninterest deductions directly attributable to investment capital, from Form CT-3-ATT, line 42 .. G. _____

H. Enter noninterest deductions directly attributable to business capital ..... H. _____

I. Subtotal *(add lines F, G, and H)* ..... I. _____

J. Noninterest deductions subject to indirect attribution *(subtract line I from line E; see instructions for line R)* ..... J. _____

K. Enter gross income attributable to subsidiary capital. Gross income from subsidiary capital is that portion of total gross income consisting of dividends, interest, and gains (but not losses) from subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-ATT, line 52, and add back any losses used to compute the amount of capital gains from subsidiary capital on line 51 ..... K. _____

L. Enter total gross income. For these purposes *total gross income* means gross income as defined in IRC section 61, increased by (a) those items described in section 61 that are included in the computation of entire net income by reason of Tax Law (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under IRC section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions ..... L. _____

M. Income percentage *(divide line K by line L)* ..... M. _____ %

N. Enter amount from Form CT-3-ATT, line 53, column C .. N. _____

O. Enter amount from Form CT-3, line 30, column C . O. _____

P. Asset percentage *(divide line N by line O)* ..... P. _____ %

Q. Subsidiary capital percentage (If line L is zero, the subsidiary capital percentage is equal to the asset percentage. If line O is zero, the subsidiary capital percentage is equal to the income percentage.)

a. Enter percentage from line M _____ %; multiply by 2 ..... _____ %

b. Enter percentage from line P ..... _____ %

c. Total *(add lines a and b)* ..... _____ %

d. Subsidiary capital percentage *(divide line c by 3)* .. Q. _____ %

R. Amount of noninterest deductions indirectly attributable to subsidiary capital *(multiply line J by the percentage from line Q or, if an election has been made to use the asset percentage, by the percentage from line P. Enter this amount on Form CT-3, line 5b.)* ..... R. _____

A-7 Qualified public utility corporations must make the required addbacks pursuant to section 208.9(c-2) of the New York State Tax Law. Qualified power producers and qualified pipeline corporations must make the required addbacks pursuant to section 208.9(c-3) of the Tax Law. For more information, see the instructions for Schedule E.

Lines 10 through 16 — Subtractions

Use lines 10 through 16 to subtract items that are included in federal taxable income but should not be included in New York State entire net income.

Line 10

If you have a subsidiary, complete Schedule D of Form CT-3-ATT and enter the amount from Part I, line 52. This amount must include capital gains and any other income and gain from subsidiary capital that was included as part of federal taxable income. You must include as subsidiary dividends subpart F income received from a controlled foreign corporation in which you own more than 50% of the voting stock (see federal Form 1120, Schedule C, line 14). Do not include foreign dividend gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

Line 11

Enter 50% of the dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 246(c). Include 50% of subpart F income received from a controlled foreign corporation in which you own 50% or less of the voting stock (see federal Form 1120, Schedule C, line 14). Include 50% of the dividends received from a money market mutual fund included as investment capital (cash) on Form CT-3-ATT, Schedule C, Part I, line 32. Do not include the grossed-up dividends, under section 78 of the IRC. For more information, see TSB-M-89(14)C.

If you are a real estate investment trust (REIT) or regulated investment company, you do not qualify for the 50% deduction for dividends received from nonsubsidiary stock. See NYCRR regulation sections 3-11.1(b) and 3-12.1(b).

Line 12

Enter foreign dividend gross-up pursuant to section 78 of the IRC (see federal Form 1120, Schedule C, line 15). Entire net income **does not include** any amount treated as dividends pursuant to section 78 of the IRC (section 208.9(a)(6)).

Line 13

Enter any New York State net operating loss carried forward from prior years. Attach a separate sheet with full details of both federal and New York State net operating losses claimed.

You must determine a New York State net operating loss deduction (NOLD) as if you had elected under IRC section 172 to relinquish the carryback provisions, except for the first $10,000, which you may carry back to the preceding years (section 208.9(f)).

These rules apply:

A. IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b), and (g).

B.
- For net operating losses incurred in tax years beginning after August 5, 1997, the NOL may be carried back only two years instead of three years, but may be carried forward for 20 years (with an exception for certain disaster losses).
- For net operating losses incurred in tax years beginning on or before August 5, 1997, the NOL may be carried back three years and carried forward 15 years.
- For certain net operating losses incurred in tax years ending in 2001 and 2002, the NOL may be carried back five years, unless the taxpayer elects for federal tax purposes to disregard the five-year carryback. If you are claiming a five-year carryback, please attach a schedule of the computation.

C. If you have elected to carry back a net operating loss for federal tax, you may carry back only the first $10,000 of a net operating loss to the preceding years. Use Form CT-9 to request a refund based on a net operating loss carryback.

D. Any portion of the $10,000 NOL not used as a carryback may be carried forward.

E. If you have elected for federal tax purposes to relinquish the carryback of a net operating loss, you may not carry back a net operating loss for state tax purposes, and you must submit a copy of your federal election.

F. No deduction is allowed for a net operating loss sustained during any year in which the corporation was not subject to tax under Article 9-A.

G. The New York State net operating loss deduction for any particular year is limited to the federal net operating loss deduction for that year. (For the purposes of this limitation, a corporation that has elected to carry back up to $10,000 of its net operating loss for New York State purposes should compute its federal net operating loss deduction as if it only carried back the same $10,000 (see items C, D, and E.)

H. A New York C corporation is not allowed a deduction for a net operating loss sustained during a New York S year.

I. A real estate investment trust is allowed a deduction for net operating losses.

J. These rules also apply to a federal S corporation not electing New York S corporation treatment, and to corporations included in a group reporting on a consolidated basis for federal tax but on a separate basis for purposes of Article 9-A. These corporations should compute their net operating losses and net operating loss deductions as if filing on a separate basis for federal income tax purposes. However, instead of a copy of the federal election to relinquish the carryback of a net operating loss, a request in writing to relinquish the carryback must be filed on or before the due date (or extended due date) of the return for the loss year. Any corporation that does not make an election with the Tax Department by the due date must carry the first $10,000 of the net operating loss back before the loss can be carried forward.

Special net operating loss provisions apply to aviation corporations that filed under Article 9 for the years 1985 through 1988. (See *Aviation corporations* below.)

Aviation corporations – net operating loss provisions for tax years 1985 through 1988

Corporations principally engaged in aviation are taxable under Article 9-A and may claim a net operating loss deduction in the same manner as other Article 9-A corporations. Air freight forwarders acting as principal and like indirect carriers are limited to net operating losses sustained in years that they were taxable under Article 9-A.

Aviation corporations (other than air freight forwarders acting as principal and like indirect air carriers) may carry forward any net operating losses sustained during the federal tax periods covering the years 1985 through 1988, if they were taxed under Article 9, sections 183 and 184 during those periods.

The New York State net operating loss must be computed as if the corporation had filed Form CT-3 for the tax years 1985 through 1988 and treated as if the loss had been sustained in the tax year immediately preceding its first Article 9-A tax year. The 1985-1988 net operating loss must be carried forward.

Line 14

Use this line if:

- The corporation claims the federal ACRS/MACRS deduction for property placed in service either **inside or outside** New York State after 1980 in tax periods beginning before 1985.
- The corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984 and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation deduction for the property.
- The corporation disposes of ACRS/MACRS property this year and the New York depreciation modifications applied in prior years.

If this line applies, in place of the disallowed ACRS and MACRS deduction entered on line 7, you may compute a depreciation deduction by any method permitted under IRC section 167 (as it would have applied to property placed in service on December 31,1980). For more information see Form CT-399. Enter the amount from Form CT-399, Part I, line 1, column I, or, if you have disposed of property this year, use the amount from Form CT-399, Part III, line 8, column B, and attach the form.

Line 15

If you have any of the following other subtractions from federal taxable income, enter the total amount of those subtractions and attach a list.

S-1 Optional depreciation: If you claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, include on this line any federal gain on the disposition of qualified property that was included in federal taxable income. Make the adjustment for New York State gain or loss on qualified New York State property on line 23. See additional instructions for line 8, A-1. Attach Form CT-324.

S-2 Receipts from the operation of school buses: Include all receipts from the transportation of pupils, teachers, and others acting in a supervisory capacity to and from school or school activities, minus any deductions allowed in computing federal taxable income that are directly or indirectly attributable to those receipts.

S-3 Include any refund or credit of a tax imposed under Article 9-A or Article 32 of the Tax Law, for which no exclusion or deduction was allowed in determining the taxpayer's entire net income for any prior year, or any refund or credit of a tax imposed under Article 9, sections 183, 183-a, 184, or 184-a of the Tax Law. Do not include on this line any refund or credit of tax that was used to offset an addition of tax on line 6. Do not include any refund or credit of New York City taxes.

S-4 Include the amount of wages disallowed under IRC section 280C in the computation of your federal taxable income because you claimed a federal credit. Attach a copy of the appropriate federal credit form.

S-5 If your corporation has a safe harbor lease, include the following items:

— Any amount included in your federal taxable income solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983.

— Any amount you could have excluded from federal taxable income if you had not made the election provided for in IRC section 168(f)(8) as it was in effect on December 31, 1983.

Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from these adjustments.

S-6 You may defer the gain on the sale of qualified emerging technology investments (QETI) that are (1) held for more than 36 months and (2) rolled over into the purchase of a QETI within 365 days. A replacement QETI must be purchased within the 365-day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the sale of the original QETI exceeds the cost of a replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. You must add back the gain deferred in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from federal taxable income the amount of the gain deferral (to the extent the gain is included in federal taxable income). If purchase of the replacement QETI within the 365-day period occurs in the same tax year as the sale of the original QETI, or in the following tax year and before the date the corporation's franchise tax return is filed, take the deduction on that return. If purchase of the replacement QETI within the 365-day period occurs in the following tax year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction.

A *QETI* is an investment in the stock of a corporation or an ownership interest in a partnership or limited liability company (LLC) that is a qualified emerging technology company. A *QETI* is also an investment in a partnership or an LLC to the extent that such partnership or LLC invests in qualified emerging technology companies. The investment must be acquired by the taxpayer as provided in IRC section 1202(c)(1)(B), or from a person who acquired it under this section. IRC section 1202(c)(1)(B) requires the acquisition to be original issue from the company, either directly or through an underwriter, and in exchange for cash, services, or property (but not stock).

A *qualified emerging technology company* is a company located in New York State that has total annual product sales of $10 million or less and that meets either of the following criteria: (1) its primary products or services are classified as emerging technologies; or (2) it has research and development activities in New York State and its ratio of research and development funds to net sales equals or exceeds the average ratio for all surveyed companies classified (as determined by the National Science Foundation in the most recently published results from its survey of *Research and Development in Industry*, or a comparable successor survey as determined by the department).

S-7 Victims or targets of Nazi persecution: Include the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of these victims or targets, if included in your federal taxable income. Do not include amounts received from assets acquired with such assets or with the proceeds from the sale (Article 1, section 13 of the Tax Law).

S-8 Qualified public utilities corporations and transferees must make deductions pursuant to section 208.9(c-2) of the New York State Tax Law. Qualified power producers and qualified pipeline corporations must make deductions pursuant to section 208.9(c-3) of the Tax Law. For more information, see the instructions for Schedule E of Form CT-3-ATT.

S-9 Attorney-in-fact: Include the excess of the amount paid or incurred by the reciprocal insurer to the attorney-in-fact in the tax year, over the deduction allowed the reciprocal insurer pursuant to IRC section 835(b).

Line 17

Subtract line 16 from line 9 to determine your entire net income. Show a loss by using parentheses.

Lines 18 through 24 — Entire net income base

The *entire net income base* is the portion of your entire net income allocated to New York State with certain adjustments. It may consist of both business and investment income.

Use Schedule A, Part I, II, or III to compute your business allocation percentage.

Use Form CT-3-ATT, Schedule C, Parts I and II, to compute your investment income and investment allocation percentage.

Line 18

Complete Form CT-3-ATT, Schedule C, Part II and enter the amount of your investment income from line 48. Do not enter more than the amount on line 17. If you had no investment income, enter "0" and do not use Schedule C of Form CT-3-ATT.

Line 21

Multiply line 19 by your business allocation percentage from Schedule A, line 119, 121, or 141. If your property, payroll, and sales were entirely **within** New York State, enter the full amount from line 19.

Line 23

You may claim a deduction for optional depreciation on this line. Include any gain or loss on the disposition of property on which optional depreciation was claimed. Attach Form CT-324.

Line 24

If line 23 is a gain, add lines 22 and 23. If line 23 is a loss, subtract line 23 from line 22. This is your entire net income base.

Line 25 — Entire net income base tax computation

General business taxpayers and small business taxpayers

For tax years beginning in 2002, the tax rate is 7.5% for **both** small business taxpayers, as defined below, and general business taxpayers that do not qualify as small business taxpayers. Multiply line 24 by 7.5%. Enter the amount on line 25 and line 72, then continue with line 26.

For tax years beginning on or after July 1, 2003, see the *Tax rates schedule* on page 5.

Small business taxpayers

A corporation qualifies as a small business taxpayer if:

— its entire net income (before allocation) is not more than $290,000, **and**

— the total amount of money and other property it received for stock, as a contribution to capital and as paid-in surplus, is not more than $1 million as of the last day of its tax year, **and**

— 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.

Short periods: A corporation that files Form CT-3 for a tax year of less than 12 months must annualize entire net income from Form CT-3, line 17, to determine if it qualifies as a small business taxpayer. For a period of less than 12 months, annualize the entire net income (line 17) by dividing it by the number of months in the short period and multiplying the result by 12.

Computation of capital base

Lines 26 through 40

To determine the value of your assets for the capital base computations, you must include real property and marketable securities at fair market value. You must include all other property at the value shown on your books in accordance with generally accepted accounting principles. Use lines 26 through 30 to adjust the value of the assets you reported on your federal return. If you are not required to complete the balance sheet on your federal tax return, use the amount that would have been reported on the federal return.

On lines 26 through 31, enter the values at the beginning of the year in column A and at the end of the year in column B. Enter the average value in column C. *Average value* is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis such as monthly, weekly, or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

Short periods — If a tax return is for a period of less than 12 months, determine the amount of business capital by multiplying the average value by the number of months covered by the return and dividing by 12. See 20 NYCRR section 3-3.7.

Line 26

Enter your total assets from the balance sheet of your federal tax return.

Line 27

Enter the federal balance sheet value of any real property and marketable securities included on line 26.

Line 29

Enter the fair market value of real property and marketable securities included on line 27. The *fair market value* of an asset is the price (without deduction of an encumbrance whether or not the taxpayer is personally liable) at which a willing seller will sell and a willing purchaser will buy. You can generally find the fair market value of marketable securities from price quotes in financial newspapers. See TSB-M-85(18.1)C for determination of fair market value of real property.

Line 31

Enter the amount of all liabilities attributable to assets on line 26, both long and short term.

Use the same method of averaging used to determine average value of assets.

Line 33

Enter subsidiary capital from Form CT-3-ATT, Schedule D, Part II, line 54. If you have no subsidiary capital, enter "0."

Line 35

Enter total investment capital from Form CT-3-ATT, Schedule C, line 33, column E. If you have no investment capital, enter "0."

Line 38

If your property, payroll, and sales were entirely within New York State, enter the full amount from line 36.

Line 40

Capital base tax computation: Multiply line 39 by the tax rate of .00178. Cooperative housing corporations multiply line 39 by the tax rate of .0004. Enter the result on line 73, but do not enter more than $350,000. If you have been taxable in New York State for less than two years, read the instructions for line 73 to see if you qualify as a new small business corporation.

Line 41

Your ***issuer's allocation percentage*** represents the amount of your capital employed within New York State compared to the total amount of capital employed everywhere. Every taxpayer using Form CT-3 should compute an issuer's allocation percentage. If you do not supply the information needed to compute your issuer's allocation percentage you may have to pay a $500 penalty.

To determine the percentage, add line 39 (capital base) and Form CT-3-ATT, Schedule D, line 55 (subsidiary capital base), then divide by the amount on line 32 (total capital). If you have no subsidiaries, divide the line 39 amount by the line 32 amount. (See *Percentages* on page 6.)

Computation of minimum taxable income base

Lines 42 through 71

The calculation of minimum taxable income requires the addition to entire net income of federal tax preference items, the addition or subtraction of certain federal adjustments used to compute federal alternative minimum taxable income, the addition of the New York State net operating loss deduction, and the subtraction of the alternative net operating loss deduction. Minimum taxable income is allocated by the use of an alternative business allocation percentage and the regular investment allocation percentage. See Article 9-A, sections 208.8-B, 210.1(c), and 210.3-a, and TSB-M-90(13)C.

The Tax Law also provides for a minimum tax credit, available for use against tax computed on the entire net income base. The credit is designed to prevent double-counting of income that might otherwise arise because of timing items of tax preference and adjustments. See Article 9-A, section 210.13, and Form CT-3-ATT and its instructions.

You must determine a minimum taxable income base and tax, whether or not you file federal Form 4626.

Enter "0" on any line that does not apply to you. Enter negative amounts in parentheses.

Line 43

If you are required to complete Form CT-399, Part IV, enter the amount from Form CT-399, line 13 or 14.

If you are not required to complete Form CT-399, Part IV, enter the amount from federal Form 4626, line 2a.

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

Attach a copy of Form CT-399 or federal Form 4626 to your return.

Line 44

Enter the federal item of adjustment for mining exploration and development costs as determined in section 56(a)(2) of the IRC (from federal Form 4626, line 2c).

Line 45

Enter the federal item of adjustment for circulation expenditures of personal holding companies as determined under section 56(b)(2) of the IRC (from federal Form 4626, line 2d).

Line 46

Enter the federal item of adjustment for adjusted basis as determined under section 56(a)(7) of the IRC (from federal Form 4626, line 2e), except do not include any basis adjustment made in determining the gain or loss from the sale or exchange of pollution control facilities.

Line 47

Enter the federal item of adjustment for the treatment of certain long-term contracts as determined under section 56(a)(3) of the IRC (from federal Form 4626, line 2f).

Line 48

Enter the federal item of adjustment for installment sales of certain property as determined under section 56(a)(6) of the IRC (from federal Form 4626, line 2g).

Line 49

Enter the federal item of adjustment for merchant marine capital construction funds as determined under section 56(c)(2) of the IRC (from federal Form 4626, line 2h).

Line 50

Enter the federal item of adjustment for disallowance of passive activity loss as determined under section 58(b) of the IRC (from federal Form 4626, line 2k).

Line 52

Enter the federal item of preference for depletion as determined under section 57(a)(1) of the IRC (from federal Form 4626, line 2m).

Line 53

Enter the federal item of preference for the carryover of appreciated property charitable deduction determined under section 57(a)(6) of the IRC (from federal Form 4626, line 2r).

Line 54

Enter the federal item of preference for intangible drilling costs as determined under section 57(a)(2) of the IRC (from federal Form 4626, line 2o).

Line 56

Enter the net operating loss deducted in the computation of the entire net income base. This is the amount on Form CT-3, line 13. Include only the maximum amount permitted on Form CT-3, line 13. See instructions for line 13 on page 13.

Line 58

Enter your alternative net operating loss deduction (ANOLD). Attach a separate sheet with full details of the New York State alternative net operating losses (ANOL) claimed.

The ANOL deduction is determined in the manner described for line 13, for computing the regular net operating loss deduction, except that the net operating loss for any year beginning after 1989 that is included in the ANOLD must be redetermined with the adjustments and tax preferences required to be utilized in computing the minimum taxable income (MTI) for that year. (Note that the required add-back of regular NOLD is not an adjustment or tax preference.) An item of tax preference is taken into account only to the extent it increased the regular net operating loss. In determining the ANOLs carrying into the ANOLD of any given year, the following rules apply:

A. Exclude losses from years when the taxpayer was not subject to Article 9-A.

B. Pre-1990 NOLs available for carryforward to 1990 under the regular tax are available for carryforward to 1990 under the minimum tax, and without the application of minimum tax adjustments.

C. ANOLs must be carried to the appropriate carry years under D), whether or not the tax on MTI is the highest tax for the particular carry year.

D. ANOLs must be carried using the conventions of IRC 172(b)(2). The carryback should be exhausted in the earliest available carry year, except as provided in E and F.

- For net operating losses incurred in tax years beginning **after** August 5, 1997, the ANOL may be carried back only two years instead of three, but may be carried forward for 20 years (with the exception of certain disaster losses).
- For net operation losses incurred in tax years beginning **on or before** August 5, 1997, the ANOL may be carried back three years and carried forward 15 years.
- For certain net operating losses incurred in tax years ending in 2001 and 2002, the ANOL may be carried back five years, unless the taxpayer elects for federal tax purposes to disregard the five-year carryback. If you are claiming a five-year carryback, please attach a schedule of the computation.

E. The carryback of each ANOL is limited to $10,000, as is the case with the regular tax NOLD.

F. The federal election to forego carryback of an NOL applies to the related New York ANOL.

G. ANOLs must be applied against 90% of MTI (determined without regard to the ANOLD) each year, even though some lower limitation on the ANOLD actually applies for that year. Limitations on the ANOLD are described in H through J below).

H. In applying the carry out rules under D) above, ANOLs must be carried out to tax years beginning in 1990 through 1993, even though no ANOLD was allowed in those years.

I. For tax years beginning in 1994, the ANOLD is limited to 45% of MTI, computed without regard to the ANOLD, and thereafter to 90% of MTI, computed without regard to the ANOLD.

J. The ANOLD for any particular year is limited to the federal regular tax NOLD for that year.

For more information, see TSB-M-94(5)C.

Line 61

Add those items of adjustment and tax preference derived from investment capital that are not included in entire net income but are included in minimum taxable income (for example, appreciated property charitable deduction for contributed stock, treated as an item of tax preference).

Line 63

Apportion any alternative net operating loss deduction claimed on line 58 between business income and investment income. Divide alternative investment income before deduction of any alternative net operating loss (line 62) by minimum taxable income before deduction of any alternative net operating loss (line 57). Multiply the result by the alternative net operating loss deduction from line 58 and enter the amount on this line.

Line 64

Alternative investment income is the sum of investment income and that portion of minimum taxable income that consists of income from investment capital that was not included in entire net income.

Line 71

If your highest tax is based on the minimum taxable income base, you may be allowed a minimum tax credit in a future year. You should complete Form CT-3-ATT, Schedule B, Part I, this year to compute your adjusted minimum tax. Keep it for your records. Use this to determine your minimum tax credit to be used against your tax on entire net income in the future.

Computation of tax

Lines 72 through 99

Line 73

Enter the tax computed on your capital base from line 40. Do not enter more than $350,000.

A new small business corporation may claim an exemption from the tax on the capital base for its first two tax years if it meets the requirements below. If you are claiming this exemption, enter “0” on line 73 and check the box indicating the year for which the exemption is taken. You will continue to be liable for the highest tax computed on lines 71, 72, or 74, in addition to the tax on line 77. Attach a separate sheet covering all points listed below. If you do not supply the information, we will disallow the exemption.

Do not confuse this definition with the definition of a small business taxpayer on line 25.

To qualify, the corporation must meet the federal definition of a small business corporation (IRC section 1244(c)(3), disregarding the second sentence of subparagraph (A)). The requirements are:

— The total amount of money and other property the corporation received for stock, as a contribution to capital, and as paid-in surplus, may not be more than $1 million on the last day of its tax year.

— It cannot be similar in ownership and operations to a business now taxable or previously taxable under New York State Tax Law, Article 9 (section 183, 184, 185, or 186), 9-A, 22, 32, or 33 (or a business entity which had income or losses includable under Article 22 or which would have been taxable under Article 23 had that article not been repealed).

— 90% of the corporation's assets and 80% of its employees must be located in New York State.

— It cannot have as a shareholder a corporation that owns over 50% of its voting stock, and that is taxable under Article 9 (section 183, 184, 185, or 186), Article 9-A, 32 or 33, unless the corporation itself qualifies as a small business corporation.

Line 74 — Fixed dollar minimum tax

The fixed dollar minimum tax is determined by the corporation's gross payroll, total receipts, and average value of gross assets.

See Table VI of the *Tax rates schedule* on page 5 to determine the applicable fixed dollar minimum tax.

If you are filing a short period return, see *Short periods — fixed dollar minimum tax and maintenance fee* on page 5 to determine the applicable fixed dollar minimum tax.

Enter your gross payroll, total receipts, and gross assets in the appropriate boxes. A corporate partner should enter its proportionate part of the partnership's payroll, receipts, and assets. (*Proportionate part* means the percentage that the partnership used to distribute to the partner, its distributive share of partnership ordinary income in an income year, or partnership ordinary loss in a loss year.)

Homeowners associations with no federal taxable income are not subject to the fixed dollar minimum tax and must enter "0" on line 74.

To avoid an erroneous assessment or a delay in your refund, you **must** enter an amount in each of the three boxes provided on Form CT-3, line 74. If you do not have gross assets, gross payroll, or total receipts, enter "0" in the appropriate boxes.

Gross payroll

Include the total wages, salaries, and other personal services compensation of all employees, including general executive officers, wherever located. For a period of less than 12 months, annualize gross payroll by dividing it by the number of months in the short period and multiplying the result by 12.

Use the total amounts shown on federal Form 1120 or Form 1120-A, lines 12 and 13, including any employment credits deducted on line 13, plus any wages included in the cost of goods sold, Form 1120, Schedule A, line 3.

Total receipts

Include receipts from the sales of tangible personal property, services performed, rentals, royalties, receipts from the sales of rights for closed circuit and cable television transmissions, and all other business receipts received in the regular course of business. These items can be found on federal Form 1120 or 1120-A, *Income Section,* lines 1c, 6, 7, and 10.

Do not include any nonbusiness dividends, nonbusiness interest, or business or investment gains or losses.

Average value of gross assets

Average value of gross assets is the average fair market value of real property and marketable securities, plus all other property at the value shown on your books, in accordance with generally accepted accounting principles. Use the amount from Form CT-3, line 30, column C.

Line 75

Enter the amount from line 71, 72, 73, or 74, whichever is largest. Small business taxpayer exception: If line 73 (tax on capital base) is larger than line 72 (tax on entire net income base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 71, 72, or 74.

Taxable DISCs must enter the larger of lines 73 or 74. Real estate investment trusts and regulated investment companies must enter the amount from line 71, 72, or 74, whichever is largest.

Line 78

Add lines 75 and 77. If you are required to recapture a tax credit that was allowed in a previous reporting period, and the result is a negative credit amount on your credit claim form (line 100a), you must add this amount to the tax due on this line. For more information on recapture requirements, please see the individual credits.

Line 79

Complete line 100a and enter the total amount of the tax credit that you are claiming. When claiming more than one credit you may apply them against your tax in the manner described below.

Tax credits under **Article 9-A** must be applied in the following order:

1. Noncarryover credits that are not refundable
2. Empire Zone (EZ) and Zone Equivalent Area (ZEA) wage tax credits
3. Carryover credits that are of limited duration
4. Carryover credits that are of unlimited duration
5. Refundable credits

Credits allowable under Article 9-A include:

— retail enterprise credit,
— tax credit for servicing mortgages,
— EZ wage tax credit,
— ZEA wage tax credit,
— investment tax credit,
— employment incentive credit,
— EZ capital tax credit,
— EZ investment tax credit,
— EZ employment incentive credit,
— farmers' school tax credit,
— minimum tax credit,
— special additional mortgage recording tax credit,
— alternative fuels credit,
— employment of persons with disabilities tax credit,
— investment tax credit for the financial services industry,
— historic barns credit,
— industrial or manufacturing business credit,
— QETC employment credit,
— QETC capital tax credit,
— defribrillator credit,
— QEZE credit for real property taxes,
— QEZE tax reduction credit,
— transportation improvement contribution credit,
— low-income housing credit,
— green building credit,
— long-term care insurance credit.

Generally, tax credits cannot reduce your tax below the higher of the fixed dollar minimum tax or the tax on the minimum taxable income base. However, the credit to employers who employ individuals with disabilities (section 210.23), the EZ employment incentive credit (section 210.12-c), and the QEZE tax reduction credit of a taxpayer with a zone allocation factor not equal to 100% (section 210.28) are only limited by the amount of the fixed dollar minimum tax. Also, the credit for servicing mortgages (section 210.21a) and the QEZE tax reduction credit of a taxpayer with a 100% zone allocation factor (section 210.28) may reduce the tax to zero.

Enter any credits being claimed on line 79, that are not specifically listed in the above paragraph, in the *Other credits* box on page 3 of Form CT-3.

Indicate which credits you are claiming on line 100a on page 3 of Form CT-3 and attach copies of all forms and schedules used.

Line 80

If your tax credits on line 79 are more than the tax shown on line 78, enter "0."

Line 82

The franchise tax is the larger of line 80 or 81. However, if the total on line 80 is less than the total on line 81 because of the application of the credit for servicing mortgages (available only to mortgage bankers), or the QEZE tax reduction credit of a taxpayer with a 100% zone allocation factor, enter the amount from line 80.

If the total on line 80 is less than the total on line 81 because of the application of the credit for employers who employ persons with disabilities, the QEZE tax reduction credit of a taxpayer with a zone allocation factor not equal to 100%, or the EZ employment incentive credit, enter the larger of line 80 or line 74.

If you are a foreign authorized corporation that filed a return for a 12-month period, and the total of your New York State corporation taxes and MTA surcharge is less than $300, you must increase your payment so that the total corporation taxes and MTA surcharge equal $300. **(Do not enter $300 on line 82; enter only the amount of tax calculated.** Include this amount (difference between $300 and the tax calculated on line 82) on the payment line on page 1 of Form CT-3.**)**

If you are a foreign authorized corporation and filed a short period return, refer to *Short periods — fixed dollar minimum tax and maintenance fee* on page 5, in order to determine the minimum maintenance fee requirement.

Line 83b

If the tax on line 82 exceeds $1,000 and you did not file Form CT-5, a mandatory first installment is required for the period following the one that is covered by this return. If the tax on line 82 exceeds $1,000, but does not exceed $100,000, enter 25% of the tax shown on line 82. If the tax on line 82 exceeds $100,000, enter 30% of the tax shown on line 82.

Line 87

If you underpaid your estimated tax, use Form CT-222 to compute the penalty. Attach Form CT-222. Check the box and enter the penalty on this line.

Lines 88 and 89

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

Lines 91 and 92

If you want to make a contribution to Return a Gift to Wildlife, enter the amount of your gift on line 91. If you want to contribute to the Breast Cancer Research and Education Fund, enter the amount of your contribution on line 92. The amount you give must be in whole dollars. Your gift will increase your payment or reduce your overpayment. You cannot change the amount of your gift after you file your return. For more information, see page 29.

Line 94

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 request a refund on line 98. 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 such credited amount, you must claim a refund of such overpayment prior to the original due date of the following year's return.

Lines 95 through 98

You may apply an overpayment to your next state franchise tax period, or to your MTA surcharge for this period, or you may have it refunded. Indicate on these lines the amount of overpayment you wish credited 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 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 99

If you claim a refund of unused tax credits from any of the following:

- Alternative fuels tax credit (Form CT-40)
- Special additional mortgage recording tax credit (Form CT-43)
- Investment tax credit for financial services industry (Form CT-44)
- Investment tax credit, retail enterprise, and historic barn credit (Form CT-46)
- Farmers' school tax credit (Form CT-47)
- EZ wage tax credit (Form CT-601)
- ZEA wage tax credit (Form CT-601.1)
- EZ investment tax credit (Form CT-603)
- QEZE credit for real property taxes (Form CT-604)
- EZ investment tax credit for financial services industry (Form CT-605)
- QETC employment credit (Form DTF-621)
- Industrial or manufacturing business credit (Form DTF-623)
- Transportation improvement contribution credit (Form DTF-632)

enter the total amount on line 99 and attach the appropriate tax credit forms. **Do not include this amount** in the total credits claimed on lines 79, 100a, or 100b.

Recap of credits claimed on line 79 against current year's franchise tax return

Check the box on Form CT-3 directly above line 100a if you are claiming the QEZE tax reduction credit and you have a 100% zone allocation factor.

Line 100a

Enter in the appropriate space the amount of any tax credits that you are claiming on line 79 against your current year's franchise tax.

Line 100b

Enter the amount of credits that are **refund eligible** claimed on line 79 against your current year's franchise tax. Do not include any amount actually requested as a refund on line 99.

Refund eligible

Special additional mortgage recording tax credit (Form CT-43)
Farmers' school tax credit (Form CT-47)
QEZE credit for real property taxes (Form CT-604)
Industrial or manufacturing business credit (Form DTF-623)
Transportation improvement contribution credit (Form DTF-632)

Refund eligible where special provisions are met

Alternative fuels tax credit (Form CT-40)

Refund eligible for new business only

Investment tax credit for financial services industry (Form CT-44)
Investment tax credit, retail enterprise, and historic barn credit (Form CT-46)
EZ wage tax credit (Form CT-601)
ZEA wage tax credit (Form CT-601.1)
EZ investment tax credit (Form CT-603)
EZ investment tax credit for financial services industry (Form CT-605)
QETC employment credit (Form DTF-621)

The employment incentive credit claimed on Form CT-44, Form CT-46, Form CT-603, or Form CT-605 is not refund eligible. The EZ wage tax credit is partially refundable to a new business.

Please refer to the individual credit forms for refund eligibility.

Interest paid to shareholders

Lines 108 and 109

Corporations that made interest payments, deducted in computing entire net income, to a shareholder or shareholders owning, directly or indirectly, individually or in the aggregate, more than 50% of its issued capital stock, must provide the information requested in this section (section 211.2-a). A penalty of $500 is imposed for failing to provide this information (section 1085(n)).

Line 110

Check the box indicating which type of federal return you filed. If you checked the *Other* box, enter the form number on the line provided.

Line 111

If you included a qualified subchapter S subsidiary (QSSS) in this return, check the box on this line and attach Form CT-60-QSSS.

Schedule A

Computation of business allocation percentage and alternative business allocation percentage for minimum taxable income base

Use Schedule A to allocate your business income (a component of entire net income) and business capital. Foreign airlines should consult TSB-M-94(2)C before completing Schedule A.

If you have both business and investment income or capital, you must complete Schedule A and Form CT-3-ATT, Schedule C, Parts I and II.

If your property, payroll, and sales were entirely within New York State, you do not need to complete Schedule A.

If you claim a business allocation percentage of less than 100%, you must complete Schedule A.

You allocate by multiplying business income or business capital by your business allocation percentage.

Part I is used by aviation corporations, except certain foreign airlines (see below), to compute the business allocation percentage. Three factors are averaged: aircraft arrivals and departures, revenue tons handled, and originating revenue. For tax years beginning on or after January 1, 2001, include only 60% of New York State amounts in the numerator of each of the three allocation factors. Use this percentage to allocate business income, when determining both the entire net income base and the minimum taxable income base, and to allocate business capital when computing the capital base.

Part II is used by railroad and trucking corporations to compute the business allocation percentage. Compute this percentage solely on mileage, and use it to allocate business income when determining both the entire net income base and the minimum taxable income base, and to allocate business capital when computing the capital base.

In Part III compute the business allocation percentage by averaging four factors: property, payroll, and business receipts (include the business receipts factor twice). Use this percentage to allocate business income when computing the entire net income base, and to allocate business capital when computing the capital base.

In Part IV compute the alternative business allocation percentage by averaging four factors: property, payroll, and business receipts (include the business receipts factor twice). Determine the factors using the same rules that apply to Part III, except that any factor used to determine the alternative business allocation percentage must be adjusted to reflect modifications made in the computation of minimum taxable income (lines 42 through 59), which may change an amount used in a particular factor. For example, a depreciation modification would change the amounts used in computing the property factors. Use the Part IV alternative business allocation percentage to determine the minimum taxable income base only.

The *property factor* is the percentage of the average value of your real and tangible personal property, whether owned or rented, that is located within New York State. The *business receipts factor* is the percentage of your business receipts attributable to New York State. The *payroll factor* is the percentage of your payroll that is attributable to New York State.

You must value real and tangible personal property owned by the corporation at the adjusted basis used 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 (or extended due date) for filing the franchise tax return for your first tax year. This election does not apply to corporations included in a combined return unless all of the corporations included in the return make the election.

Foreign airlines

Foreign airlines that have a foreign air carrier permit pursuant to section 402 of the Federal Aviation Act of 1958 may exclude from entire net income all income from international operations effectively connected to the United States, foreign passive income, and income earned from overseas operations, provided the foreign country in which the airline is based has a similar exemption from tax with respect to United States airlines.

Foreign airlines may also exclude business and investment assets used in connection with the exempt income from the tax computed on capital.

The business allocation formula used by these foreign airlines is the regular Article 9-A business allocation formula based on receipts, payroll, and property, as opposed to the special airline formula based on arrivals and departures, with modifications.

However, if the country in which the foreign airline is based does not provide a similar exemption from tax with respect to United States airlines, the foreign airline is not entitled to the exclusions from income and capital described above and must use the special airline allocation formula.

For further information, see TSB-M-94(2)C.

Schedule A, Part I

Computation of business allocation percentage for aviation corporations

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

Line 112a

Enter the number of aircraft arrivals and departures of the aviation corporation. *Aircraft arrivals and departures* means the number of landings and takeoffs of the aircraft of an aviation corporation, plus the number of pickups and deliveries by the aircraft. Do not include arrivals and departures for maintenance, repair, refueling (where no debarkation or embarkation of traffic occurs), training, emergencies, and nonrevenue flights.

Line 114a

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 116a

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

Schedule A, Part II

Computation of business allocation percentage for trucking and railroad corporations

Railroad and trucking corporations must allocate on a mileage basis using this schedule. The mileage allocation is a percentage based on revenue miles traveled within New York State, compared to total revenue miles traveled everywhere (exclude nonrevenue miles, such as deadheading miles).

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

Schedule A, Part III

Computation of business allocation percentage

Lines 122 through 141

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

Line 122

Enter the average value of real property you owned. Do not include real property and related equipment (except inventoriable goods) that are under construction and are not occupied or used during construction. Include property or equipment under construction that is partially used in the regular course of business only to the extent used.

Line 123

Enter the average value of rented real property. The value of rented real property is generally eight times the gross rent payable during the year covered by this return. *Gross rent* includes any amount payable as rent or in lieu of rent (such as taxes or repairs), and amortization of leasehold improvements that revert to the lessor at the end of the lease.

Line 124

Enter the average value of inventories.

Line 125

Enter the average value of tangible personal property you owned, such as machinery, tools, and implements. Do not include cash, shares of stock, bonds, notes, credits, evidences of an interest in property, or evidences of credit.

Line 126

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.

Lines 129 and 130

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

– Shipments are made to points in New York State.
– The receipts are earned within New York State.

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

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

Examples of types of evidence that will be sufficient to demonstrate the destination of property include:

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

Line 131

Enter receipts for services performed, based on where they are performed.

Receipts from broadcasting and publishing — Corporations engaged in broadcasting or the publication of newspapers and periodicals must allocate to New York State receipts from the sale of advertising, to the extent that the broadcasts or publications are delivered to the ultimate purchasers, subscribers, listeners, or viewers in New York State.

Receipts for services to regulated investment companies — Receipts received from an investment company for the sale of management, administration, or distribution services must be allocated based on the domicile of the shareholders of the investment company (section 210.3(a)(6)(A)(ii)). For more information, see TSB-M-88(9)C.

Receipts by registered securities or commodities broker or dealer — The following rules apply for determining whether a receipt is deemed to arise from services performed in New York State by a registered securities or commodities broker or dealer, for purposes of computing the receipts factor of the business allocation percentage (section 210.3(a)(9)).

A *registered securities or commodities broker or dealer* is a broker or dealer who is registered by the Securities and Exchange Commission or the Commodities Futures Trading Commission. The terms *securities* and *commodities* have the same meanings as the meanings in sections 475(c)(2) and 475(e)(2) of the Internal Revenue Code.

Brokerages commissions earned from the execution of securities, commodities purchase, or sales orders for the accounts of customers are deemed to arise from a service performed in New York State if the customer who is responsible for paying the commissions is located in New York State.

Margin Interest earned on brokerage accounts is deemed to arise from a service performed in New York State if the customer who is responsible for paying the margin interest is located in New York State.

Account maintenance fees are deemed to arise from a service performed in New York State if the customer who is responsible for paying the account maintenance fees is located in New York State.

A customer is located in New York State if the mailing address of the customer is as it appears in the broker's or dealer's records is in New York State.

Air freight forwarders

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:	Allocate receipts
Pickup and delivery both made in New York State	100% to NYS
Pickup only made in New York State	50% to NYS
Delivery only made in New York State	50% to NYS

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

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

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

Arts and Cultural Affairs Law

The Arts and Cultural Affairs Law provides that receipts from the sale of works of art, by an art merchant, are receipts from the sale of tangible personal property (rather than receipts for services performed).

The law applies to works of art that are:

— created by an artist or craftsman, **and**
— consigned by such artist or craftsman to an art merchant, **and**
— sold by the art merchant on or after August 9, 1995.

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

Line 132

Enter receipts from all property you rented to others. Rental receipts are attributable to the location of property.

Line 133

Enter receipts from royalties, allocated where earned.

Line 134

Enter all other business receipts, allocated where earned.

Line 137

You must include an additional receipts factor in computing the business allocation percentage. Enter the same percentage computed on line 136 (section 210.3(a)(4)).

Line 138

Enter the total amount of all wages and compensation of employees other than general executive officers.

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 inside or outside New York State is not a general executive officer. Employees within New York State include all employees regularly connected with or working out of an office or other place of business you maintained within New York State, no matter where the services of the employees were performed.

Line 141

If a factor is missing, add the remaining factors and divide by the total number of factors present. If all but one factor are missing, the remaining factor is the allocation percentage. A factor is missing only if both column A and column B are zero.

Example

Computation of allocation percentage for business income and capital:

	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%*
Divided by	*4*	*4*	*3*
Allocation percentage for business income and capital	*45%*	*30%*	*40%*

** In the example above, Corporation C has no payroll factor since it has no employees either inside or outside New York State. Corporation B has no employees in New York State but has employees outside New York State.*

Schedule A, Part IV

Computation of alternative business allocation percentage for minimum taxable income base

If you entered zeros on lines 43 through 50 and 52 through 54, you may use the same percentages determined in Schedule A, Part III.

If you made entries on lines 43 through 54 that altered an item used to compute the property or receipts factors in Schedule A, Part III, you must make appropriate changes when determining the alternative business allocation percentage for allocating the alternative business income on line 66 and Form CT-3-ATT, Schedule B, Part I, line 6.

Line 149 and line 151

The Commissioner of Taxation and Finance adopted amendments to section 4-4.2 of the Business Corporation Franchise Tax Regulations that apply to the receipts factor of the business allocation percentage. For more information on allocation of receipts and services, see the instructions for lines 129 through 131.

Line 157

You must include an additional receipts factor in the computation of the alternative business allocation percentage. Enter the same percentage computed on line 156 (Tax Law section 210.3-a(a)).

Line 161

If either the property, receipts, or payroll factor is missing, add the remaining factors and divide by the total number of factors present. If all but one factor are missing, the remaining factor is the allocation percentage. A factor is missing only if both column A and column B are zero.

Computation of the allocation percentage for the minimum taxable income base is similar to the computation of the allocation percentage for business income and capital. See the example for line 141 above.

When preparing and mailing your 2002 corporate franchise tax return, please be sure to:

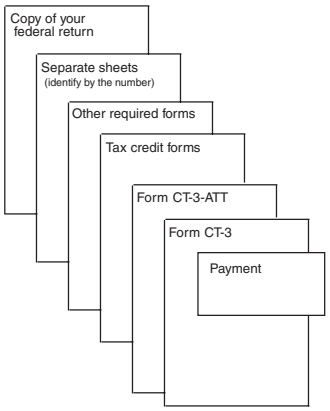
— Include your employer identification number and file number on each form filed. These numbers can be found above the printed name and address.

— Have the appropriate individuals sign the return.

— Attach a complete copy of your federal return.

— If completed, attach Form CT-3-ATT and any other schedules and tax credit claim forms used to compute your tax.

— Assemble your return and attachments this way:



— Make your check payable to: ***New York State Corporation Tax***.

For **new** mailing address information, see *Where to file* on page 4.

Line instructions for Form CT-3-ATT Schedules B, C, D, and E

Schedule B

Computation of adjusted minimum tax and minimum tax credit

General overview

The minimum tax credit is generated in those years when your highest tax is based on the minimum taxable income base, and may be claimed in a subsequent year when your tax is based on the entire net income (ENI) base. The credit is designed to prevent the double taxation, under the minimum tax and the regular tax, that might otherwise arise because of the inclusion of timing items of tax preference and adjustment in both bases but in different tax years. The minimum tax credit for any tax year is the excess (if any) of the **adjusted minimum tax** imposed for all prior tax years: 1) which began after 1989, and 2) where such tax computed on the minimum taxable income base was the highest of the four taxes, over the amount allowed as a minimum tax credit for such prior years.

Schedule B, Part I

Computation of adjusted minimum tax

The *adjusted minimum tax* is the excess of the amount of the minimum tax over the next highest tax computed for the tax year. The *next highest tax* means the highest amount based on the ENI, capital, or fixed dollar minimum tax bases. You must reduce this amount by the excess (if any) of the modified minimum tax over the next highest tax. The *modified minimum tax* is the minimum tax recomputed excluding those adjustments and tax preference items related to timing differences. The only adjustment or tax preference item you may take into account is **depletion.**

Complete lines 1 through 18 to compute your adjusted minimum tax. Most of the amounts used to complete these lines have already been computed and are found on Form CT-3.

Once you have completed Part I, you should keep a copy so you can complete Part II in a subsequent year when your highest tax is based on ENI.

Schedule B, Part II

Computation of minimum tax credit used and carried forward

You may use the minimum tax credit to reduce your franchise tax only if the tax is based on entire net income. The amount of credit is the adjusted minimum tax computed in Schedule B, Part I, for all prior years, minus any amount used as a minimum tax credit in prior years. Use lines 19 through 26 to compute and apply the minimum tax credit.

Line 19

The amount of minimum tax carryforward is the total amount of the adjusted minimum tax calculated on Schedule B, Part I, in prior years, minus any amount used as a minimum tax credit in prior years.

Line 25

If your franchise tax for this tax year is based on entire net income, you may apply all or part of the total credit available (Form CT-3-ATT, line 19). The amount of credit applied may not reduce your tax to less than the sum of (1) the highest of the tax on capital base (Form CT-3, line 73), or the tax on minimum taxable income base (Form CT-3, line 71), or the fixed dollar minimum tax (Form CT-3, line 74); plus (2) the tax on subsidiary capital (Form CT-3, line 77). If you are only claiming this one credit, enter the lesser of line 19 or line 24. If you are claiming more than one credit, you may apply them against your tax in the manner described in the instructions for Form CT-3, line 79; enter the minimum tax credit used.

Schedule C, Part I

Computation of investment capital and investment allocation percentage

The term *investment capital* means the value of the taxpayer's investments in stocks, bonds, and other corporate or governmental securities, reduced by directly and indirectly attributable liabilities. Include in investment capital only those stocks, bonds, or other securities that are:

1. Stocks and similar corporate equity instruments, such as business trust certificates, and units in a publicly traded partnership taxable as a corporation pursuant to section 208.1 of the Tax Law.
2. Debt instruments (such as bonds) issued by the United States, the District of Columbia, and any state, territory, or possession of the United States, any foreign country, or any political subdivision or governmental instrumentality of the foregoing.
3. Qualifying corporate debt instruments (see Section I below).
4. Options on any item described in 1, 2, or 3 above and not excluded from investment capital nor deemed to be cash (see *Instruments deemed cash* below), or on a stock or bond index or on a futures contract on such an index, unless the options are purchased primarily to diminish the taxpayer's risk of loss from holding one or more positions in assets that constitute business or subsidiary capital.
5. Stock rights and stock warrants not in the possession of the issuer.
6. Investments in stocks, bonds, and other securities of a limited liability company (LLC) that is not more than 50% owned by the taxpayer and has elected to be treated as a corporation for federal tax purposes.

The term *instrument* includes stock and debt that is held in book entry form.

Investment capital **does not** include:

- Stock issued by the taxpayer.
- Stocks, bonds, or other securities constituting subsidiary capital. Debt instruments issued by a subsidiary are also not subsidiary capital (and are not investment capital) if the subsidiary claimed and deducted interest on the instruments for purposes of Article 9-A, 32, or 33 of the Tax Law.
- Securities of an individual, partnership, trust, or other nongovernmental entity that is not a corporation pursuant to section 208.1 of the Tax Law (such as FNMA and GNMA pass-through certificates).
- Stocks, bonds, and other securities of a DISC, or any indebtedness from a DISC.
- Regular and residual interests in a real estate mortgage investment conduit (REMIC) as defined in section 860D of the IRC.
- Futures and forward contracts.
- Stocks, bonds, and other securities held by the taxpayer for sale to customers in the regular course of business.

If you own a stock, bond, or other security that is subject to a repurchase agreement, include this instrument as investment capital. Do not include if it is held as collateral. See NYCRR regulation section 3-3.2(f) for a full discussion of securities held subject to a repurchase agreement.

Do not include stocks, bonds, and other securities issued by, and any indebtedness from, a QSSS in the computation of investment capital if the QSSS is included in the parent's return (see page 3).

Column A categorizes investment capital into two sections:

Section I: Corporate and governmental debt instruments

Section II: Corporate stock, stock rights, stock warrants, and stock options

Schedule C, Part I, Section I — Corporate and governmental debt instruments

Column A

List investments in governmental and qualifying corporate debt instruments (including certificates of deposit), and debt instruments issued by the U.S., any state, territory, or possession of the U.S., the District of Columbia, or any foreign country or any political subdivision or government instrumentality of any of the foregoing. Do not include instruments deemed to be cash. See *Instruments deemed cash* below.

The term *qualifying corporate debt instrument* means all debt instruments issued by a corporation **other than** the following:

— Instruments issued by the taxpayer or a DISC.

— Instruments which constitute subsidiary capital in the hands of the taxpayer.

— Instruments acquired by the taxpayer for services rendered or for the sale, rental, or other transfer of property if the obligor is the recipient of the services or property. However, when a taxpayer sells or otherwise transfers property that is investment capital in the hands of the taxpayer, and receives in return a corporate obligation issued by the recipient of the property, the corporate obligation, if it is not otherwise excluded from investment capital, would constitute investment capital in the hands of the taxpayer.

— Instruments acquired for funds if (1) the obligor is the recipient of the funds, (2) the taxpayer is principally engaged in the business of lending funds, and (3) the obligation is acquired in the regular course of the taxpayer's business of lending funds. A taxpayer is principally engaged in the business of lending funds if, during the tax year, more than 50% of its gross receipts consist of interest income from loans, or net gain from the sale or redemption of notes, or other evidences of indebtedness arising from loans made by the taxpayer. Receipts may not include return of principal or nonrecurring, extraordinary items.

— Accepted drafts (such as banker's acceptances and trade acceptances) if the taxpayer is the drawer of the draft.

— Instruments issued by a corporation that is a member of an affiliated group that includes the taxpayer. The term *affiliated group* means a corporation or corporations and the common parent thereof. The term *common parent* means an individual, corporation, partnership, trust, or estate that owns or controls, either directly or indirectly, at least 80% of the voting stock of the corporation or corporations. An *affiliated group* also includes all other corporations at least 80% of the voting stock of which is owned or controlled, either directly or indirectly, by one or more of the corporations included in the affiliated group, or by the common parent and one or more of the corporations included in the affiliated group.

— Accounts receivable, including those held by a factor.

Instruments deemed cash

A debt instrument described above or included in investment capital must be treated as cash if payable:

- On demand.
- By its terms within six months and one day from the date the debt was incurred.
- By its terms more than six months and one day from the date the debt was incurred, on each day in the tax year on and after the first day in the tax year that is not more than six months and one day prior to the maturity date (see examples on page 23).

Cash, under certain circumstances, may be treated as investment capital. See the instructions for line 32 on page 24.

Examples

1. *A calendar-year taxpayer owns a municipal bond with a maturity date of January 31, 2003. As of July 30, 2002, the first day not more than six months and one day before the maturity date, and on each day thereafter, the bond is deemed to be cash. Include the bond in Part I, but in computing the average value of the bond and attributable liabilities, treat the taxpayer as no longer owning the bond on any date on or after July 30, 2002. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after July 29, 2002.*
2. *A taxpayer purchased a four-month qualifying corporate debt instrument on the day it was issued, and on the maturity date renewed it for an additional four-month term. The two four-month debt instruments are deemed to be cash. Treat the renewal of the first four-month debt instrument as the creation of a second, separate debt instrument, each of the two instruments being due within six months and one day of the date on which the debt was incurred.*
3. *A calendar-year taxpayer at all times during the tax year owns a five-year qualifying, marketable corporate bond with a maturity date of January 2, 2003. The taxpayer also owns corporate stock, but has no cash at any point during the 2002 tax year. The bond is deemed to be cash as of July 1, 2002, the date six months and one day prior to maturity. The fair market value of the bond is $95,000 on March 31, 2002, $90,000 on June 30, 2002, $98,000 on September 30, 2002 and $100,000 on December 31, 2002. List the bond in Section I, column A, because it qualifies as investment capital. Compute its average value, stated in column C of Section I, as ($95,000 + $90,000 + 0 + 0) ÷ 4 = $46,250. The use of the zeros represents the fact that the taxpayer is deemed to own cash, and not a bond, on September 30 and December 31. Compute the average value of the bond insofar as it is deemed to be cash as (0 + 0 + $98,000 + $100,000) ÷ 4 = $49,500. The use of the zeros represents the fact that the taxpayer owned no cash on March 31 or June 30. The figures $98,000 and $100,000 represent the fact that the taxpayer is deemed to own cash in those amounts on September 30 and December 31, respectively. The taxpayer had liabilities attributable to the bond. Treat the amount of the liabilities in conformity with the above treatment of the value of the bond itself. Thus, the liabilities, which were $10,000, $12,000, $8,000, and $6,000 on the four test dates, yield an average liability of $5,500 attributable to the listed bond ($10,000 + $12,000 + 0 + 0) ÷ 4 = $5,500, to be entered in column D of Section I, and an average liability of $3,500 (0 + 0 + $8,000 + $6,000 ÷ 4 = $3,500) to be applied to determine the net average value of the taxpayer's cash. If the taxpayer elects to treat the deemed cash as investment capital, it would include $49,500 on line 32, column C and $3,500 on line 32, column D. If the election to treat the deemed cash as investment capital is not made, the $49,500, reduced by $3,500, would constitute business capital.*
4. *A taxpayer purchased a debt instrument, includable in Section I, with a maturity date of December 15, 2002. Any such investment is deemed cash on the same numerical date as the maturity date, less one day, six months prior. Thus the date on which this debt instrument becomes cash is June 14, 2002.*

Column C

Enter the total 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 is generally 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 (GAAP). (See Example 3 above.)

Column D

Deduct 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. (See Example 3 above.)

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

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.

Worksheet

Liabilities indirectly attributable to a particular asset

A.	Total liabilities *(enter amount from Form CT-3, line 31, column C)*	A.	
	Liabilities directly attributable to:		
B.	Subsidiary capital	B.	
C.	Investment capital	C.	
D.	Business capital	D.	
E.	Total liabilities directly attributable *(add lines B, C, and D)*	E.	
F.	Total liabilities indirectly attributable *(subtract line E from line A)*	F.	
G.	Average value of investment capital *(enter amount from Form CT-3-ATT, line 33, column C*	G.	
H.	Average value of adjusted total assets *(enter amount from Form CT-3, line 30, column C)*	H.	
I.	Divide line G by line H	I.	%
J.	Multiply line F by line I	J.	
K.	Value of the particular asset	K.	
L.	Enter amount from line G	L.	
M.	Divide line K by line L	M.	%
N.	Enter amount from line J	N.	
O.	Liabilities indirectly attributable to a particular asset *(multiply line M by line N)*	O.	

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.

Column F

Enter the issuer's allocation percentage for each investment listed in column A. The issuer's allocation percentage used to compute investment capital allocated to New York State is the percentage determined on the New York State tax return filed by the issuing corporation for the preceding year. The issuer's allocation percentage on government bonds listed in Part I is 0%.

You may obtain up to three issuer's allocation percentages by calling toll free 1 800 972-1233. From areas outside the U.S. and outside Canada, call (518) 485-6800. You may obtain more than three only by written request. Make the written request to:

NYS TAX DEPARTMENT
TAXPAYER CONTACT CENTER
W A HARRIMAN CAMPUS
ALBANY NY 12227

Issuer's allocation percentages are also available from many on-line services, printed tax services, or on the Department's Web site at *www.tax.state.ny.us*

Column G

Determine the value of each investment in column A by multiplying each item in column E by the issuer's allocation percentage listed in column F.

Schedule C, Part I, Section II – Corporate stock, stock rights, stock warrants, and stock options

Column A

List investments in the following:

— Stock issued by a corporation.

— Options as described in item 4 of the definition of investment capital listed on page 22.

— Units in a publicly traded partnership treated as a corporation for purposes of Article 9-A of the Tax Law.
— Business trust certificates.
— Stock rights and stock warrants not in the possession of the issuer.
— Other corporate equity instruments similar to stock.

Columns C through G

See instructions for Schedule C, Part I, Section I, columns C through G on page 23.

Line 31

Compute the investment allocation percentage without the addition of cash on line 32.

Line 32 — Cash election

At the election of the taxpayer, cash on hand and cash on deposit may be treated as either investment capital or business capital. However, no election to treat cash as investment capital may be made when the taxpayer has no other investment capital.

Cash includes shares in a money market mutual fund. A money market mutual fund is a no-load, open-end investment company registered under the Federal Investment Company Act of 1940 that attempts to maintain a constant net asset value per share (that is, a "money market" fund). *Cash* also includes debt instruments deemed cash; see *Instruments deemed cash* on page 22.

Cash cannot be split between business capital and investment capital. You must treat cash as all business capital or all investment capital.

Schedule C, Part II

Computation of investment income before allocation

Complete this schedule if you are allocating part of your entire net income by using an investment allocation percentage from Schedule C, Part I. *Investment income* is income from investment capital to the extent it is included in entire net income, minus any deductions allowable in computing entire net income that are attributable to investment capital or investment income, and minus a portion of any net operating loss deduction allowable in computing entire net income.

Income from investment capital includes dividends (other than from a subsidiary or a DISC), interest, and capital gains and losses from sales or exchanges of investment capital that are included in the computation of entire net income. Professional services corporations (Article 15 or 15-A BCL) must use an investment allocation percentage of 100% (section 210.3(b)(3)).

Do not include stocks, bonds, and other securities issued by, and any indebtedness from, a QSSS in the computation of investment capital, if the QSSS is included in the parent's return (see page 3).

Line 34

Enter interest income received from investment capital listed in Schedule C, Part I, Section I, column A, to the extent included in entire net income.

Line 35

Enter interest income received from bank accounts (cash) if included on line 32. Include interest income received from a savings account, checking account, time deposit account (for example, certificate of deposit), or similar accounts, which are usually evidenced by a passbook. Enter "0" on this line if the investment allocation percentage on line 31 is zero. In that case, allocate this interest by the business allocation percentage as part of business income.

Line 36

Enter interest income from debt instruments deemed cash, if included on line 32.

Line 37

Enter dividend income received from investment capital listed in Schedule C, Part I, Section II, column A, or dividend income received from money market mutual funds included as cash on line 32, to the extent included in entire net income. Include the following:

— 50% of dividends received from money market mutual funds included as cash on line 32. Fifty percent of these dividends were deducted on Form CT-3, line 11.
— 50% of dividends received from nonsubsidiary stock which meets the holding requirements of IRC section 246(c). Fifty percent of these dividends were deducted on Form CT-3, line 11.
— 50% of subpart F income constituting dividends received from a controlled foreign corporation in which you own 50% or less of the voting stock (see federal Form 1120, Schedule C, line 14). See TSB-A-87 (23.1)C for additional information.
— 100% of dividends received from nonsubsidiary stock that did not meet the holding requirements of IRC section 246(c).

Line 38

Enter any net capital gains or losses from the sale and exchange of securities constituting investment capital that were used in computing federal taxable income.

Line 39

Other items of investment income include (but are not limited to), premium income from an unexercised covered call option, if the item that covers the call is an asset constituting investment capital.

Lines 41, 42, 43, and 44

Refer to TSB-M-95-(2)C for information about lines 41, 42, 43, and 44.

Complete lines 41 and 42 if you have investment capital includable on Form CT-3-ATT, line 33, column C (otherwise, enter "0" on lines 41 and 42).

Line 41

Enter the amount of **interest** deductions allowable in the computation of entire net income (that is, includable in the amount on *Line 43 Worksheet*, line E, on page 25) that are **directly** attributable to investment capital (or to income, losses, or gains from investment capital).

Line 42

Enter the amount of **noninterest** deductions allowed in the computation of entire net income (that is, includable in the amount on *Line 44 Worksheet*, line E, on page 26) that are **directly** attributable to investment capital (or to income, losses, or gains from investment capital).

The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable to investment capital or income include, but are not limited to, the following:

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

Do not include on lines 41 or 42 interest deductions or noninterest deductions that are **directly** attributable to:

— Subsidiary capital (or income, losses, or gains from subsidiary capital). See Form CT-3, lines 4a and 4b.
— Business capital (or income, losses, or gains from business capital). **Note:** For tax years beginning in 1995 or after, certain expenses may, at the taxpayer's election, be **deemed** to be directly attributable to business capital (or income, losses, or gains from business capital). These expenses include, among others: depletion; advertising; research and development expenses; compensation packages of chief executive officer, chief financial officer, and chief operating officer; charitable contributions; and internal auditing expenses. For a complete listing of deductions so **deemed** attributable to business capital, see section III (A)(1) of TSB-M-95(2)C.

If at least 95% of the noninterest deductions of an operating division or corporation are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division or corporation may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Line 43 worksheet

Interest deductions indirectly attributable to investment capital

A. Enter federal interest deductions included on federal Form 1120, line 18 ..... A. _____

B. Enter amounts of interest deductions included on line A that must be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3, line 15.

Enter the Form CT-3 line numbers and amounts below:

Line # _____ Amount _____

Line # _____ Amount _____

Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* ..... C. _____

D. Enter amounts of interest deductions that must be subtracted from federal taxable income in computing entire net income (for example, the interest deductions taken in computing the amount on Form CT-3, line 2, or amounts related to foreign source income not included on federal Form 1120).

Enter the Form CT-3 line number and amounts below:

Line # _____ Amount _____

Line # _____ Amount _____

Line # _____ Amount _____ Total D. _____

E. Total New York State interest deductions included in entire net income *(add lines C and D)* ..... E. _____

F. Enter any interest deductions directly attributable to subsidiary capital included on Form CT-3, line 4a F. _____

G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-ATT, line 41 ..... G. _____

H. Enter any interest deductions directly attributable to business capital ..... H. _____

I. Subtotal *(add lines F, G, and H)* ..... I. _____

J. Interest deductions subject to indirect attribution *(subtract line I from line E)* ..... J. _____

K. Enter the amount from Form CT-3-ATT, line 33, column C ..... K. _____

L. Enter the amount from Form CT-3, line 30, column C ..... L. _____

M. Percentage *(divide line K by line L)* ..... M. _____ %

N. Amount of interest deductions indirectly attributable to investment capital *(multiply line J by line M; enter this amount on Form CT-3-ATT, line 43)* ..... N. _____

Lines 43 and 44

Complete lines 43 and 44 if you have investment capital includable on line 33, column C. Otherwise, enter "0" on lines 43 and 44. Use the worksheets above and on page 26 before completing these lines.

Line 43

Enter the amount of **interest** deductions that are **indirectly** attributable to investment capital, or to income, gains, or losses from investment capital, from *Line 43 Worksheet*, line N, above.

If you completed the *Line 5a Worksheet* on page 12 of these instructions, skip lines A through I on the *Line 43 Worksheet*, and enter on line J the amount from the *Line 5a Worksheet*, line J.

Line 44

Enter the amount of **noninterest** deductions that are **indirectly** attributable to investment capital, or to income, gains, or losses from investment capital, from *Line 44 Worksheet*, line R, on page 26.

If you completed the *Line 5b Worksheet* on page 12 of these instructions, skip lines A through I on the *Line 44 Worksheet,* and enter on line J the amount from the *Line 5b Worksheet,* line J.

Line 47

Apportion any net operating loss deduction claimed on Form CT-3, line 13, between business income and investment income. Divide investment income before deduction of any net operating loss by entire net income before deduction of any net operating loss. Multiply the result by the net operating loss deduction and enter this amount.

Schedule D

Complete this schedule if you have any subsidiaries. A *subsidiary* is a corporation of which the taxpayer owns more than 50% of the total number of shares of the corporation's voting stock, issued and outstanding. A DISC is not a subsidiary.

Do not include stocks, bonds, and other securities issued by, and any indebtedness from, a QSSS in the computation of subsidiary capital, if the QSSS is included in the parent's return (see page 3).

Schedule D, Part I

Income attributable to subsidiary capital

Lines 49 through 51

Enter interest, dividends, and capital gains attributable to subsidiary capital. In addition, include on line 51 items such as collapsible corporation gain and sale of subsidiary capital that is not a capital asset for federal tax.

Schedule D, Part II

Computation and allocation of subsidiary capital base and tax

Subsidiary capital is the taxpayer's total investment in shares of capital stock of its subsidiaries, and the amount of indebtedness owed to the taxpayer by its subsidiaries (whether or not evidenced by written instruments) on which interest is not claimed and deducted by the subsidiary against any tax imposed by Article 9-A, 32 or 33, minus liabilities directly or indirectly attributable to subsidiary capital.

When computing the amount of indebtedness owed to the taxpayer by its subsidiaries, consider each subsidiary separately. You may offset loans and advances from the parent to the subsidiary by loans and advances from the same subsidiary to the parent, but they may not be reduced to less than zero. Loans and advances from a subsidiary to the parent may not offset the parent's investment in the stock of the subsidiary or offset loans and advances from the parent to any other subsidiary.

Subsidiary capital does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for the sale of property primarily held for sales to customers. You must reduce each item of subsidiary capital by any of the parent's liabilities that are directly or indirectly attributable to that item of subsidiary capital.

Do not include stocks, bonds, and other securities issued by, and any indebtedness from, a QSSS in the computation of subsidiary capital if the QSSS is included in the parent's return (see page 3).

Line 44 worksheet

Noninterest deductions indirectly attributable to investment capital

A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) ..... A. _____

B. Enter amounts of noninterest deductions included on line A that must be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3, lines 4b and 5b). Include the New York State excess depreciation amount described in Tax Law, section 208.9(b)(11) to the extent that such amounts are subtracted in computing entire net income for prior tax years that began on or after January 1, 1987.

Enter the Form CT-3 line number and amounts below.

Line # _____ Amount _____

Line # _____ Amount _____

Line # _____ Amount _____ Total B. _____

C. Balance *(subtract line B from line A)* ..... C. _____

D. Enter amounts of noninterest deductions listed below that are required to be subtracted from federal taxable income in computing entire net income.

— For a taxpayer organized outside the United States, deductions attributable to income that is not included in federal taxable income but is required to be included in entire net income (for example, foreign source income) (section 208.9(c); see also 20 NYCRR 3-2.3(a)(9))

— The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to section 280C of the IRC (section 208.9(a)(7))

— Depreciation deductions permitted under Article 9-A with respect to **decoupled** property pursuant to Tax Law, section 208.9(a)(11) and (12)

— Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law, section 208.9(a)(10)

— The noninterest deductions taken in computing the amount on Form CT-3, line 2

Enter the Form CT-3 line number and amounts below.

Line # _____ Amount _____

Line # _____ Amount _____

Line # _____ Amount _____ Total D. _____

E. Total New York State noninterest deductions included in entire net income *(add lines C and D)* E. _____

F. Enter noninterest deductions directly attributable to subsidiary capital from Form CT-3, line 4b ..... F. _____

G. Enter noninterest deductions directly attributable to investment capital, from Form CT-3-ATT, line 42 . G. _____

H. Enter noninterest deductions directly attributable to business capital ..... H. _____

I. Subtotal *(add lines F, G, and H)* ..... I. _____

J. Noninterest deductions subject to indirect attribution *(subtract line I from line E; see instructions for line R)* ..... J. _____

K. Enter gross income attributable to investment capital. *Gross income from investment capital* is that portion of total gross income consisting of (a) dividends, interest, and gains (but not losses) from investment capital, and (b) items described in 20 NYCRR 4-8.3(a)(2) – (5). To determine the amount to enter on line K, take the amount of total investment income reported on Form CT-3-ATT, line 40, and add back any dividends excluded on Form CT-3, line 11, and any losses used to compute the amount of capital gains from investment capital on Form CT-3-ATT, line 38. ..... K. _____

L. Enter total gross income. For these purposes, *total gross income* means gross income as defined in IRC section 61, increased by (a) those items described in section 61 that are included in the computation of entire net income by reason of section 208.9(c) of the Tax Law (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under IRC section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions. ..... L. _____

M. Income percentage *(divide line K by line L)* ..... M. _____ %

N. Enter amount from Form CT-3-ATT, line 33, column C N. _____

O. Enter amount from Form CT-3, line 30, column C O. _____

P. Asset percentage *(divide line N by line O)* ..... P. _____ %

Q. Investment capital percentage (if line L is zero, the investment capital percentage is equal to the asset percentage. If line O is zero, the investment capital percentage is equal to the income percentage.)

a. Enter percentage from line M _____ %; multiply by 2 ..... _____ %

b. Enter percentage from line P ..... _____ %

c. Total *(add lines a and b)* ..... _____ %

d. Investment capital percentage *(divide line c by 3)* .. Q. _____ %

R. Amount of noninterest deductions indirectly attributable to investment capital *(multiply line J by the percentage from line Q or, if you made an election to use the asset percentage, by the percentage from line P. Enter this amount on line 44 of Form CT-3-ATT)* ..... R. _____

Column A

Enter the full name and federal employer identification number of each subsidiary.

Column C

Enter the average value of each item of subsidiary capital. Average value is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis such as a monthly, weekly, or daily average. If your usual accounting practice does not permit a quarterly or more frequent computation of average value, you may use a semiannual or annual computation if no distortion of average value results. Value marketable securities at fair market value, and value other items of subsidiary capital using generally accepted accounting principals.

Column D

Deduct all liabilities, both long-term and short-term, directly or indirectly attributable to subsidiary capital. Use the same method of averaging used to determine the average value of assets in column C. Enter for each item of subsidiary capital listed in column A the liabilities directly or indirectly attributable to it. Liabilities directly attributable to an asset (stock or debt) are those that were incurred to acquire that asset.

Use the *Schedule D worksheet* below to determine the amount of liabilities indirectly attributable to a particular asset.

In column D, on the line for the asset in question, include the sum of the amount from line O of the *Schedule D worksheet* and the amount of liabilities directly attributable to that asset.

Schedule D worksheet

Liabilities indirectly attributable to a particular asset

A. Total liabilities *(enter amount from Form CT-3, line 31, column C)*	A.	
Liabilities directly attributable to:		
B. Subsidiary capital	B.	
C. Investment capital	C.	
D. Business capital	D.	
E. Total liabilities directly attributable *(add lines B, C, and D)*	E.	
F. Total liabilities indirectly attributable *(subtract line E from line A)*	F.	
G. Average value of subsidiary capital *(enter amount from Form CT-3-ATT, line 53, column C)*	G.	
H. Average value of adjusted total assets *(enter amount from Form CT-3, line 30, column C)*	H.	
I. Divide line G by line H	I.	%
J. Multiply line F by line I	J.	
K. Value of the particular asset	K.	
L. Enter amount from line G	L.	
M. Divide line K by line L	M.	%
N. Enter amount from line J	N.	
O. Liabilities indirectly attributable to a particular asset *(multiply line M by line N)*	O.	

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.

Column F

Enter the issuer's allocation percentage for each item listed in column A. See the instructions for Form CT-3-ATT, Schedule C, Part I, Section I, column F on page 23.

Column G

Multiply net average value, column E, of each item listed in column A by its issuer's allocation percentage in column F. This is the value of subsidiary capital allocated to New York State.

Line 56

Deduct 100% of the value of subsidiary capital for subsidiaries subject to tax under Article 32 (banking corporations), Article 33 (insurance corporations), and Article 9, section 186 of the Tax Law. Attach a breakdown of subsidiaries eligible for this deduction.

Line 58

Multiply line 57 by the tax rate of .0009. This is your subsidiary capital base tax. Enter this amount on Form CT-3, line 77.

Schedule E

Qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations

General

Qualified public utility corporations must adjust entire net income to reflect modifications for depreciation, and federal gain or loss on transition property, and for regulatory assets pursuant to section 208.9(c-2) of the Tax Law. Complete Schedule E, Part I.

Transferees (whether or not qualified public utilities) of transition property from a qualified public utility in a tax-free transaction must adjust entire net income to reflect modifications to federal gain or loss subsequently recognized on the transition property, pursuant to section 208.9(c-2)(6)(B)(iv) of the Tax Law. Complete Schedule E, Part I, lines 66, 67, and 69.

Qualified power producers and qualified pipeline corporations must adjust entire net income to reflect modifications for depreciation on transition property pursuant to section 208.9(c-3) of the Tax Law. Complete Schedule E, Part II.

A *qualified public utility* is a taxpayer that:

— was subject to ratemaking supervision by the New York State Department of Public Service on December 31, 1999; **and**

— was subject to tax under section 186 of Article 9 of the Tax Law for the tax year ending on December 31, 1999.

A *qualified power producer* is a taxpayer that:

— was not subject to ratemaking supervision by the New York State Department of Public Service on December 31, 1999; **and**

— was subject to tax under section 186 of Article 9 of the Tax Law for the tax year ending on December 31, 1999, because it was principally engaged in the business of supplying electricity.

A *qualified pipeline* is a taxpayer that:

— was subject to ratemaking supervision by the Federal Energy Regulatory Commission or the New York State Department of Public Service on December 31, 1999; **and**

— was subject to tax under sections 183 and 184 of Article 9 of the Tax Law for the tax year ending on December 31, 1999, because it was principally engaged in the business of pipeline transmission.

A public utility, power producer, or pipeline corporation that does not meet the above definitions is not required to make the 208.9(c-2) and (c-3) adjustments.

Transition property is property placed in service by a qualified public utility, qualified power producer, or qualified pipeline before January 1, 2000, for which a depreciation deduction is allowed under section 167 of the IRC. Property is transition property only for the taxpayer that owns it on January 1, 2000, and is not transition property in the hands of a subsequent transferee. (However, see the instructions for Schedule E, lines 66 and 67, for a basis adjustment that may inure from transition property.)

Book basis of transition property is the cost of the property minus the accumulated depreciation on the property determined on the taxpayer's books and records in accordance with generally accepted accounting principles.

New York basis of transition property is the cost of the property minus the aggregate of the New York depreciation deductions allowed on the property under Article 9-A of the Tax Law. This aggregate is the sum of the amounts on line 63 of Schedule E with respect to the property for all tax years ending after 1999.

Schedule E, Part I

Adjustments for qualified public utilities and transferees

Complete this part if you are a qualified public utility. Use lines 59 through 69 to compute the adjustments for entire net income.

Transferees: if you are not a qualified public utility but you are a transferee of transition property from a qualified public utility, use only lines 66, 67, and 69 to compute the adjustments for entire net income.

Other additions

Line 59

Transition property — federal depreciation.

Enter the amount deducted on your federal return for depreciation of transition property. See line 63 instructions to compute the New York depreciation deduction. Transition property is defined on page 27.

Line 60

Transition property — federal loss. If transition property is sold or otherwise disposed of at a loss for federal income tax purposes, you must recalculate the amount of the loss for New York using book basis in place of federal tax basis for the property. Enter here the amount of loss deducted on your federal return and see line 64 instructions to recalculate the loss for New York.

Line 61

Transition property — New York gain. If transition property is sold or otherwise disposed of at a gain for federal income tax purposes in a tax year ending before 2010 (or at any time thereafter if the property is a nuclear electric generating facility), you must recalculate the amount of the gain for New York using New York basis in place of federal tax basis for the property. However, this recalculation can only reduce the federal gain to zero; it cannot produce a New York loss. Enter here the New York gain on transition property calculated using New York basis. If recalculation of the federal gain using New York basis yields a loss, the New York gain is zero. See line 65 instructions to subtract the federal gain.

Other subtractions

Line 63

Transition property — New York depreciation. In place of the federal depreciation deduction entered on line 59, enter the amount of depreciation expense on transition property shown on your books and records for the tax year and determined in accordance with generally accepted accounting principles (GAAP).

In the case of a financing arrangement where, for federal purposes, the qualified public utility is treated as the owner of the transition property and allowed a depreciation deduction for federal income tax purposes but not allowed a depreciation deduction for GAAP purposes, you should compute the New York depreciation deduction in accordance with GAAP as if the transition property was depreciated on your books and records.

Line 64

Transition property — New York loss. In place of the federal loss entered on line 60, compute the New York loss on the sale or other disposition of transition property by using book basis instead of federal tax basis.

Line 65

Transition property — federal gain. Enter the amount of gain included on your federal return from the sale or other disposition of transition property. See line 61 instructions to recalculate the gain for New York.

Lines 66 and 67

Transition property basis adjustment carryover. If transition property is disposed of in a nonrecognition transaction (original disposition), such as a tax-free reorganization or a trade-in for replacement property, a basis adjustment on the transition property carries over to the transferee of the property, or to the replacement property, to reduce the gain or increase the loss in a subsequent recognition transaction involving the property that was former transition property or the replacement property.

Line 66 – Federal gain. If the former transition or replacement property is sold at a gain for federal income tax purposes in a tax year ending before 2010 (or at any time thereafter if the property is a nuclear electric generating facility), the gain is reduced, but not below zero, by the New York basis differential. The *New York basis differential* is the amount by which the New York basis of the property exceeds its federal tax basis on the date of **original disposition**. Enter here the New York basis differential of property that was former transition property or the replacement property sold at a federal gain this year, but not more than the amount of differential necessary to bring the federal gain to zero.

Line 67 – Federal loss. If the former transition or the replacement property is sold at a loss for federal income tax purposes, the loss is increased by the amount of the book basis differential. The *book basis differential* is the amount by which the book basis of the property exceeds its federal income tax basis on the date of **original disposition**. Enter here the book basis differential of the former transition property or the replacement property sold at a federal loss this year.

Line 68

Regulatory assets. Enter the amounts recognized as expense on your books and records for the tax year that were recognized as expense for federal income tax purposes in a tax year ending on or before December 31, 1999, if: (A) such amounts represent expenditures that, when made, were charged to a deferred debit account or similar asset account on your books and records; and (B) the recognition of expense on your books and records is matched by revenue stemming from a procedure or adjustment allowing the recovery of such expenditures; and (C) such revenue is recognized for federal income tax purposes in the tax year.

Schedule E, Part II

Adjustments for qualified power producers and qualified pipeline corporations

Complete this part if you are a qualified power producer or a qualified pipeline corporation and you claim a depreciation deduction on transition property for federal income tax purposes. Use lines 70 and 71 to compute the adjustments for entire net income.

Other additions

Line 70

Enter the amount deducted on your federal return for depreciation of transition property. Transition property is defined on page 27.

Other subtractions

Line 71

In place of the federal depreciation deduction entered on line 70, compute a New York depreciation deduction by treating all of your transition property as a single asset placed in service on the first day of the tax year that ends in 2000. The *New York State basis for depreciation* is the net book value of your transition property on the first day of the federal tax year that ends in 2000 (or on the later date in 1999 that the property is placed in service). To compute the New York deduction, use net book value, the straight-line depreciation method, a 20-year life, and a salvage value of zero.

For qualified power producers, *net book value* is the cost of your transition property minus the accumulated depreciation shown on your books and records, and determined in accordance with generally accepted accounting principles.

For qualified pipeline corporations, *net book value* is the cost of your transition property minus the accumulated depreciation shown on your books and records, and determined in accordance with the regulatory reports filed with the Federal Energy Regulatory Commission or the New York State Department of Public Service.

Your rights under the Tax Law

The Taxpayer Bill of Rights requires, in part, that the Tax Department advise you, in writing, of your rights and obligations during an audit, when you appeal a departmental decision, and when your appeal rights have been exhausted and you need to understand enforcement capabilities available to the department to obtain payment. For a complete copy of the information contained in all of these statements, you may request Publication 131, *Your Rights and Obligations Under the Tax Law*, by calling toll free 1 800 462-8100. From areas outside the U.S. and outside Canada, call (518) 485-6800.

Privacy notification

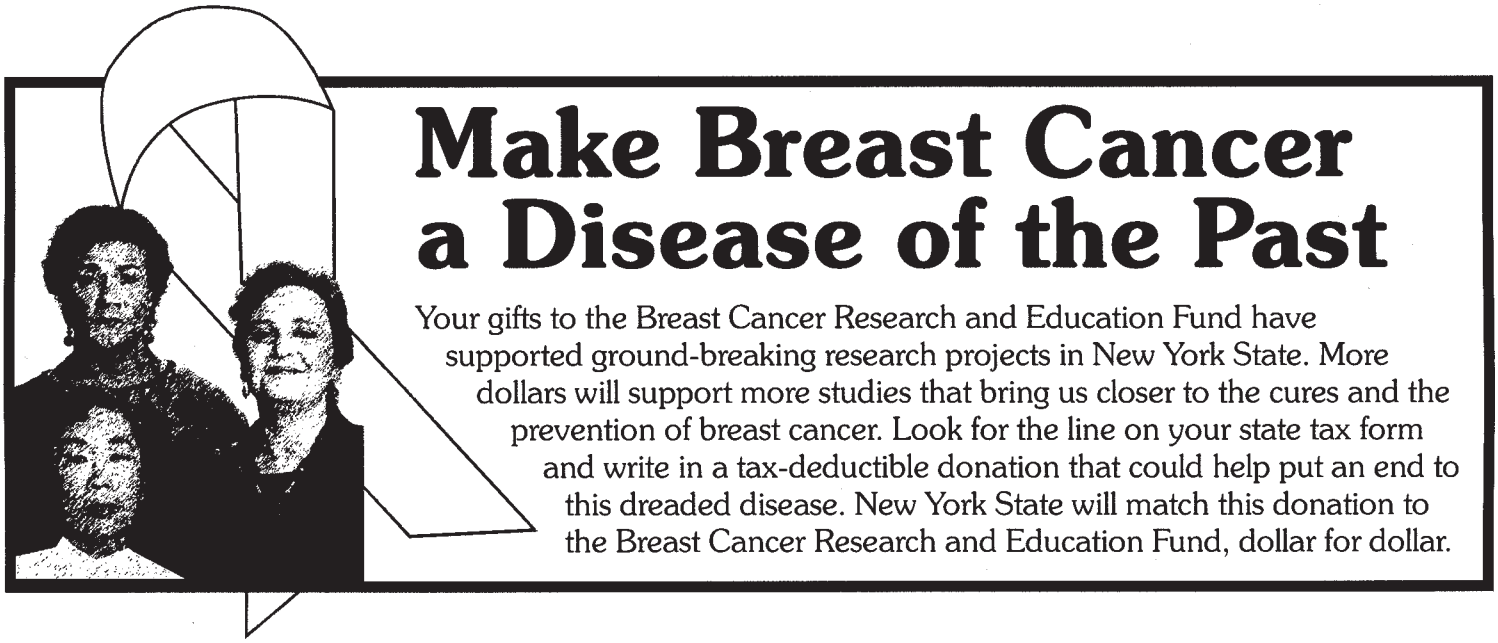
The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 171, 171-a, 287, 308, 429, 475, 505, 697, 1096, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i).

This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose.

Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.



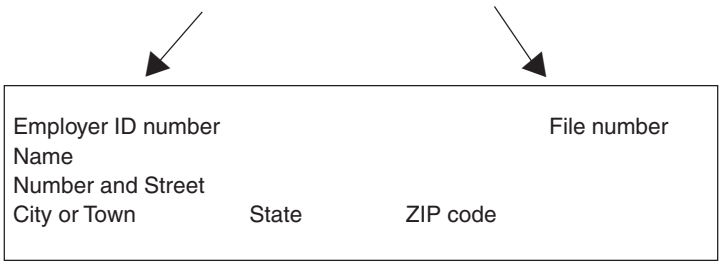
When preparing and mailing your 2002 General Business Corporation Franchise Tax Return, please be sure to:

- Read the instructions.
- Use the correct forms.
- Include your employer identification number and file number on each form filed.
- Check the box located above the signature area on Form CT-3 or CT-4 if you do not need forms mailed to you next year.
- Have the appropriate individuals sign the completed return.
- Make your check payable to: ***New York State Corporation Tax.***
- Attach Form CT-3-ATT and all other schedules you are required to file.
- Attach a complete copy of your federal return to Form CT-3 or Form CT-4.
- Attach appropriate tax credit forms if you made an entry on Form CT-3, line 79 or line 99.

For **new** mailing address information, see *Where to file* on page 4.

Important identifying information

To assist in processing your corporation tax forms, please be sure to accurately complete the corporation's identifying information including your current address. You will find your **employer identification number** and **file number** just above your printed corporation name and address.



Keep a record of your identifying information for future use.

If you use a paid preparer or accounting firm, make sure they use your complete and accurate information when completing all forms prepared for you.

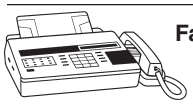
Name, address, and business information – If your address has changed, please enter your new address in the appropriate area and check the box next to the address so that we can update your address for this tax type. Do not check this box for any change of business information other than for your address.

You must report any changes in your business name, ID number, mailing address, physical address, telephone number, or owner/officer information on Form DTF-95, *Business Tax Account Update.* If only your address has changed, you may use Form DTF-96, *Report of Address Change for Business Tax Accounts*, to correct your address for this and all other tax types. You can get these forms by fax, phone, or from our Web site. See *Need help?* below for the phone number and Web address.

Need help?

Telephone assistance is available from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday.

For business tax information, call the New York State Business Tax Information Center:	1 800 972-1233
For general information:	1 800 225-5829
To order forms and publications:	1 800 462-8100
From areas outside the U.S. and outside Canada:	(518) 485-6800



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

Internet access: *www.tax.state.ny.us*

Hotline for the hearing and speech impaired: 1 800 634-2110 from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday. If you do not own a telecommunications device for the deaf (TDD), check with independent living centers or community action programs to find out where machines are available for public use.

Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.

If you need to write, address your letter to:
NYS TAX DEPARTMENT
TAXPAYER CONTACT CENTER
W A HARRIMAN CAMPUS
ALBANY NY 12227