New York State Department of Taxation and Finance

Instructions for Form IT-112-C

IT-112-C-I

New York State Resident Credit for Taxes Paid to a Province of Canada

General instructions

If you are a full-year or part-year resident of New York State and if any part of your income was taxed by a Canadian province, you may claim a credit against your New York State tax. This credit is allowable only for the portion of the tax that applies to income received in the Canadian province while you were a New York State resident. If you paid tax to more than one Canadian province during your New York State resident period, use a separate Form IT-112-C for each province.

Do not use Form IT-112-C to claim the resident credit for taxes paid to another state, local government, or the District of Columbia. Instead, you must claim the resident credit for taxes paid to another state, local government, or the District of Columbia on Form IT-112-R, *New York State Resident Credit.* See the instructions for Form IT-112-R for more information.

You may not claim a credit for any amount of tax paid to the Canadian province on any amount of income, gain, loss, or deduction arising from interest or dividends from intangible assets unless it is received from an asset connected with a trade or business conducted in the other taxing authority.

If you marked filing status ③, *Married filing separate return,* on Form IT-201 or Form IT-203, and if only one spouse paid tax to a Canadian province, that spouse must compute the credit based on his or her separate return. No part of the credit can be claimed by the spouse who did not have tax payable to the Canadian province.

A New York resident estate or trust is also allowed to claim a resident credit on Form IT-112-C. If you are a fiduciary of a resident estate or trust, determine the total New York adjusted gross income in Part 1 the same way as a resident individual. To determine New York adjusted gross income, subtract any charitable contributions and distributions made to beneficiaries. Include these amounts on line 19.

If you have any questions about computing the resident credit, write to the Taxpayer Contact Center, W A Harriman Campus, Albany NY 12227, or call toll free (1 800 225-5829). From areas outside the U.S. and outside Canada, call (518) 485-6800.

A shareholder of a subchapter S corporation is **not** allowed a resident credit for any income tax imposed upon or payable by the S corporation to a province of Canada. However, a shareholder is allowed a resident credit if taxes are calculated on the income of the S corporation, but are imposed upon and payable by the shareholder.

Taxpayers with dual residency status — If you are a resident of New York State for personal income tax purposes and also deemed a resident of a province of Canada for income tax purposes under its law, no credit is allowed if the other jurisdiction allows a credit against its tax for the total resident tax paid to New York.

If you claimed a prior-year(s) resident credit for taxes paid to a province of Canada, and in the federal computation (federal Form 1116, line 10) of the 2007 credit you used the provincial tax carried over, you must complete a 2007 Form IT-112-C for the purpose of the addback, even though no current-year New York State credit is claimed.

Foreign currency conversion

Report all amounts in U.S. dollars. For income earned throughout the tax year, use the average exchange rate for that year. If you take a credit for taxes paid, the conversion rate is the rate of exchange in effect on the day you paid the foreign taxes (or on the day the tax was withheld). If you receive a refund of foreign taxes paid, the conversion rate is the rate in effect when you paid the taxes, not when you receive the refund.

Filling in your tax forms

For complete information on how to fill in New York State scannable income tax forms, see the instructions for:

- resident return (Form IT-201),
- nonresident and part-year resident return (Form IT-203), **or**
- fiduciary return (Form IT-205).

Also see the instructions for the above returns for the *Privacy notification* or if you need help contacting the Tax Department.

Line instructions

Part 1 — Income and adjustments

Lines 1 through 18

Residents and part-year residents — Do not enter in column A or B any income that is taxable to the Canadian province but **not** taxable to New York State.

Do not enter in column A or B the ordinary income portion of lump-sum distributions received from sources outside New York State that is subject to the New York State separate tax on lump-sum distributions and is also subject to any income tax or separate tax by the other taxing authority. Compute any resident credit against the separate tax on a lump-sum distribution paid to another taxing authority on Form IT-112.1, *New York State Resident Credit Against Separate Tax on Lump-Sum Distributions*.

Do not enter in column B any amount of income, gain, loss, or deduction arising from interest or dividends from intangible assets unless it is received from an asset connected with a trade or business conducted in the other taxing authority.

Residents — Enter in column A, lines 1 through 18, the amount of each item of income or deduction reported on Form IT-201 or the amount of income reported on Form IT-205 as if the estate or trust were a resident individual. If you marked filing status ②, *Married filing joint return*, include in column A the amounts of both spouses even if the income of only one spouse was subject to tax in the Canadian province.

Enter in column B of Form IT-112-C the gross income from column A that was taxed by the Canadian province minus any applicable expenses and losses that you deducted in computing federal adjusted gross income. In determining the expenses and losses deductible from items of gross income, follow the federal rules for deductions in computing federal adjusted gross income.

Enter in column B any federal adjustments to income that were allowed by the Canadian province.

Taxpayers with dual residency status — If you are a resident of New York State for personal income tax purposes and also deemed a resident of a province of Canada for income tax purposes under its law, do not include in column B any amount of income, gain, loss, or deduction arising from interest or dividends from intangible assets unless it is received from an asset connected with a trade or business conducted in the other taxing authority. Also, do not include in column B any income attributable to a business, trade, profession, or occupation unless the business, trade, profession, or occupation was carried on in the other jurisdiction.

Example: *For tax year 2007, you were taxable as a New York resident. You were also taxable as a resident of a province of Canada. You had wages of $65,000 for the year, of which $20,000 were earned for services performed in the province of Canada and $45,000 for services performed in New York. You will enter the $20,000 wages in column B.*

Part-year residents — If you were a New York State resident for only part of the year and if you were subject to income tax by a Canadian province during that period, enter in column A the amount of each item of income or deduction entered on Form IT-203, lines 1 through 18, *Federal amount* column.

Enter in column B of Form IT-112-C only the amount of each item of income or deduction from column A that relates to your New York State resident period that was taxed by the Canadian province.

Line 19 New York adjustments — Enter your net New York adjustment, which is the difference between your New York additions and your New York subtractions. Your New York additions are on Form IT-201, lines 20 through 23, or Form IT-203, lines 20 through 22 (*Federal amount* column). Your New York subtractions are on Form IT-201, line 32, or Form IT-203, line 30 (*Federal amount* column). On Form IT-205, your New York adjustment is the fiduciary share, from Schedule C, column 5, *Fiduciary* line, that relates to the items of income, gain, loss, and deductions included in the computation of federal adjusted gross income.

Line 20 New York adjusted gross income — In column A, the net New York adjustment on line 19 must be added to or subtracted from federal adjusted gross income on line 18. In column B, enter the amount from line 18, column B.

Line 21 Capital gain portion of lump-sum distributions Enter in column A the capital gain portion of lump-sum distributions reported at Part II of federal Form 4972. Enter in column B the capital gain portion of lump-sum distributions reported at Part II of federal Form 4972 that is subject to tax by the Canadian province.

Part 2 — Computing your resident credit or addback for taxes paid to a province of Canada

Line 23 — Enter the two-letter abbreviation (see below) of the Canadian province to which the income tax was paid.

Province abbreviations

Alberta Alberta	AB	Nunavut Nunavut	NU
British Columbia Colombie-Britannique	BC	Ontario Ontario	ON
Manitoba Manitoba	MB	Prince Edward Island Ile-du-Prince-Edouard	PE
New Brunswick Nouveau-Brunswick	NB	Quebec Quebec	QC
Newfoundland and Labrador Terre-Neuve-et-Labrador	NL	Saskatchewan Saskatchewan	SK
Northwest Territories Territoires du Nord-Ouest	NT	Yukon Yukon	YT
Nova Scotia Nouvelle-Ecosse	NS		

Line 24

Residents and part-year residents — The amount of income tax imposed is the amount of income tax computed on your return for the Canadian province minus any credits allowed against this tax. **Do not** include the tax on income that is taxed by the other taxing authority but is not taxed by New York State. **Do not** enter tax withheld, estimated tax payments, or payments of balances due on this line.

Do not include on line 24 Canadian federal tax imposed.

Residents — Enter the amount of income tax imposed by the Canadian province.

Part-year residents — Enter only the portion of the tax attributable to income earned during your New York resident period.

Taxpayers with dual residency status — Compute the amount to enter on line 24 as follows:

$$\frac{\text{Amount from Column B, Line 22}}{\textit{Total income}\text{ on provincial return}} \times \text{Total tax due on other return}$$

Total income means the total income reported on the provincial return, before any allowances for a standard or itemized deduction or exemptions.

Lines 29 and 31

The Canadian provincial tax is deemed to be claimed last for federal purposes. When computing the amount available for the New York credit, enter only that portion of the provincial tax not used in the computation of the federal foreign tax credit.

(continued)

Line 33

Form IT-203 filers — Enter New York State tax from Form IT-203, line 40, plus the Worksheet C, line 5 amount in the instructions for Form IT-230, *Separate Tax on Lump-Sum Distributions*.

Form IT-201 and Form IT-205 filers — Complete the following worksheet:

Worksheet for computing your New York State tax payable

a. Enter New York State tax from Form IT-201, line 39 plus the tax from Form IT-230, Part 2, line 2, *New York State* column. Resident estate or trust: Enter New York State tax from Form IT-205, line 8. Part-year resident trust: Enter NY State tax from Form IT-205, line 9. ..... a. _____

b. Enter your New York State household credit, if any, from Form IT-201, line 40..... b. _____

c. New York State tax payable *(subtract line b from line a)*. Enter this amount on line 33 ..... c. _____

Line 34 — Round to the fourth decimal place. For example, if the amount on line 22 in column B was $12,000 and the amount on line 22 in column A was $36,000, the result would be .3333. Enter this decimal on line 34; **do not convert to a percentage.**

If the amount on line 22 in column B is more than the amount on line 22 in column A, **the result will be more than 1.0000.** For example, if the amounts used were $25,000 divided by $15,000, the result would be 1.6667.

Line 41 — If on your 2007 federal Form 1116, line 10, you included provincial taxes that were used in the computation of a prior-year New York State resident credit, and now the carryover is claimed for federal purposes, an entry must be made on line 41. This entry must be made whether or not a current year resident tax credit is claimed.

If the carryover used in the computation of the federal credit included provincial taxes that were used in the computation of more than one prior-year New York State resident credit or multiple prior-year Forms IT-112-R or IT-112-C, enter the total of the credits claimed and attach a copy of all applicable prior-year Forms IT-112-R and IT-112-C.

Line 43 — Resident credit allowable

The resident credit may not decrease your New York State tax payable to an amount less than would have been due if the income subject to taxation by the other jurisdiction(s) was excluded from your New York income.

Enter the line 43 amount on Form IT-201, line 41; Form IT-203-ATT, line 1; or include it on Form IT-205, line 10. If you filed more than one 2007 Form IT-112-C or also filed Form IT-112-R, enter the total of the allowable credits on Form IT-201, line 41; Form IT-203-ATT, line 1; or include it on Form IT-205, line 10. Attach each original Form IT-112-C and a copy of federal Form 1116 to Form IT-201, IT-203, or IT-205.

Line 44

If line 41 is more than line 40, subtract line 40 from line 41 and enter the result on line 44. This is your addback of resident credit.

- **Individuals —** Enter the total addback(s) from all Forms IT-112-C and code ***141*** on Form IT-201-ATT, line 20, or Form IT-203-ATT, line 19.
- **Fiduciaries —** Include the total addback(s) on Form IT-205, line 12.

Part 3 — Information from your 2007 Canadian federal and/or provincial returns

You **must** complete this section. If you paid tax to a province other than Quebec, use the *Canada* column. If you paid tax to Quebec, use only the *Quebec* column.

Line 46 — Enter your total Canadian tax, including provincial tax. For Quebec, enter only the total Quebec tax.

Line 47 — Enter the amount of your prepayments to Canada/Quebec. Prepayments include income tax paid and credits (for example, income tax deducted or withheld at source as shown on all information slips, tax paid in installments, abatements, overpayments, and rebates).

Line 49 — Enter the balance due, if any, shown on the 2007 return you filed with Canada/Quebec. The balance due is the amount you paid with your return after credit for taxes withheld or deducted, taxes paid in installments and any other prepayments (do not include penalties or interest).