New York State Department of Taxation and Finance

2011

Instructions for Forms CT-3-A, CT-3-A/ATT, and CT-3-A/B

CT-3-A-I

General Business Corporation Combined Franchise Tax Return

Tax Law — Article 9-A

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Form CT-1, *Supplement to Corporation Tax Instructions*

See Form CT-1 for the following topics:

- Changes for the current tax year (general and by Tax Law Article)
- Business information (how to enter and update)
- Entry formats
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- Third-party designee
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- Is your return in processible form?
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Who must file under Article 9-A

Domestic corporations — A domestic corporation (incorporated in New York State) is generally liable for franchise taxes for each fiscal or calendar year, or part thereof, during which it is incorporated until it is formally dissolved with the Department of State (*www.dos.state.ny.us*). However, a domestic corporation that is no longer doing business, employing capital, or owning or leasing property in New York State is exempt from the fixed dollar minimum tax for years following its final tax year and is no longer required to file a franchise tax return provided it meets the requirements listed in TSB-M-06(5)C, *Certain Domestic Business Corporations Exempt from the Article 9-A Fixed Dollar Minimum Tax.*

Foreign corporations — A foreign corporation (incorporated outside of New York State) is liable for franchise taxes during the period in which it is doing business, employing capital, owning or leasing property, or maintaining 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 is doing business, employing capital, owning or leasing property, or maintaining an office in the state.

All general business corporations must file franchise tax returns under Tax Law Article 9-A. This includes both domestic corporations and foreign corporations that do business, employ capital, own or lease property, or maintain an office in New York State.

Mandated New York S corporations — Shareholders of eligible federal S corporations that have not made the election to be treated as a New York S corporation for the current tax year will be deemed to have made that election and must file Form CT-3-S if the corporation's investment income is more than 50% of its federal gross income for that year. For purposes of the mandated New York State S election, *investment income* means the sum of an eligible S corporation's gross income from interest, dividends, royalties, annuities, rents and gains derived from dealings in property, including the corporation's share of such items from a partnership, estate, or trust, to the extent such items would be includable in the corporation's federal gross income for the tax year. This provision does not apply to S corporations subject to tax under Tax Law Article 32 (Franchise Tax on Banking Corporations).

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

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

- — banking corporations (Article 32)
- — insurance corporations (including for-profit HMOs required to obtain a certificate of authority under Article 44 of the Public Health Law) (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 nonelecting 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)

Overcapitalized captive insurance companies (as defined in Tax Law, Article 1, section 2.11) are excluded from the definition of insurance corporations that are subject to tax under Article 33. Such corporations are now required to be included in a combined return under either Article 9-A or Article 32 with the closest controlling stockholder. For more information, see TSB-M-09(9)C, *Tax Treatment of Overcapitalized Captive Insurance Companies*.

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, which 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 more information on foreign corporations engaged in these business activities, see Title 20, New York Codes, Rules and Regulations (NYCRR) section 1-3.2(a)(6).

Transitional provisions for the Gramm-Leach-Bliley (GLB) Act — Under the federal GLB 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 GLB Act, the Tax Law was amended in 2000 to allow certain corporations that were taxed under Article 9-A or Article 32 in 1999 to retain their tax status in 2000. These transitional provisions were extended so they now expire for tax years beginning on or after January 1, 2013. The GLB provisions do not preclude taxpayers that made the one-time election to remain taxable under Article 9-A, pursuant to section 1452(d) (the grandfather election), from revoking that election.

Revocation of Article 9-A status — Pursuant to Tax Law section 1452(d), a corporation 65% or more owned by a bank or a bank holding company as described in Tax Law section 1452(a)(9) that was subject to tax under Article 9-A for its tax year ending in 1984, was allowed in 1985 to make a one-time grandfather election to continue to be taxable under Article 9-A. This election remains in effect until revoked by the taxpayer. In no event can the revocation of the election be for part of the tax year. The revocation is made by the filing of a tax return under Tax Law Article 32. However, if any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to the electing corporation, the election will be deemed revoked as of the first day of the tax year in which the condition applied.

If any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to a corporation required to be taxable under Article 9-A pursuant to the GLB provisions of Tax Law section 1452, then such corporation, if it otherwise meets the requirements of Tax Law section 1452(a), will be taxable under Article 32 as of the first day of the tax year in which the condition applied.

If any of the conditions set forth below exist or occur in a tax year beginning on or after January 1, 2007, with respect to a corporation that has made the election to be taxable under Article 9-A pursuant to the GLB provisions of Tax Law section 1452, then the electing corporation will be deemed to have revoked the election as of the first day of the tax year in which the condition applied.

Conditions

- The corporation ceases to be a taxpayer under Article 9-A.
- The corporation has no wages or receipts allocable to New York State pursuant to Tax Law, Article 9-A, section 210.3, or is otherwise inactive. However, this condition does not apply to a corporation that is engaged in the active conduct of a trade or business, or substantially all of the assets of which are stock and securities of corporations that are directly or indirectly controlled by it and are engaged in the active conduct of a trade or business.
- 65% or more of the voting stock of the corporation becomes owned or controlled directly by a corporation that acquired the stock in a transaction (or series of related transactions) that qualifies as a purchase within the meaning of IRC section 338(h)(3), unless both corporations, immediately prior to the purchase, were members of the same affiliated group (as such term is defined in IRC section 1504 without regard to the exclusions provided for in 1504(b)). However, any acquisition that was completed on or before January 3, 2007, shall be treated as an acquisition made before January 1, 2007.
- The corporation, in a transaction or series of related transactions, acquires assets, whether by contribution, purchase, or otherwise, having an average value as determined in accordance with Tax Law section 210.2 (or, if greater, a total tax basis) in excess of 40% of the average value (or, if greater, a total tax basis) of all assets of the corporation immediately prior to the acquisition and, as a result of the acquisition, the corporation is principally engaged in a business that is different from the business immediately prior to the acquisition (provided that such different business is described in Tax Law section 1452(a)(9)(i), (ii), or (iii)).

Who must file a combined return

Tax Law, Article 9-A, section 211.4(a) requires an Article 9-A taxpayer to file on a combined basis with related corporations where there are substantial intercorporate transactions among the related corporations. Under this section, where there are substantial intercorporate transactions between the taxpayer and a related corporation or collectively a group of such related corporations, a combined return is required.

Related corporation means (1) any corporation substantially all the capital stock of which is owned or controlled either directly or indirectly by the taxpayer; (2) any corporation which owns or controls directly or indirectly substantially all the capital stock of the taxpayer; and (3) any corporation the capital stock of which is owned or controlled directly or indirectly by interests that own or control directly or indirectly substantially all the capital stock of the taxpayer. For this purpose substantially all means ownership or control of 80 percent or more of the stock that entitles the holder thereof to vote for the election of directors and to receive dividends.

In determining whether substantial intercorporate transactions exist, the facts and circumstances of all activities and transactions between related corporations and the taxpayer must be examined.

In addition, the Tax Department may require or permit the taxpayer to file a combined return with one or more related corporations even where substantial intercorporate transactions are absent if a combined return is necessary to properly reflect the taxpayer's Article 9-A tax liability because of intercompany transactions or some agreement, understanding, arrangement, or transaction. (Tax Law section 211.4(a)(4))

A combined return is **not** required or permitted to include an alien corporation (except an alien foreign sales corporation (FSC)).

For more information, refer to TSB-M-08(2)C, *Combined Reporting for General Business Corporations (including Real Estate Investment Trusts and Regulated Investment Companies) and Insurance Corporations.*

Captive real estate investment trusts (REITs) and regulated investment companies (RICs) — A captive REIT (as defined in Tax Law, Article 1, section 2.9) or a captive RIC (as defined in Tax Law, Article 1, section 2.10) is required to file a combined return with the closest corporation that directly or indirectly owns or controls over 50% of the captive REIT or the captive RIC. In addition, a qualified REIT subsidiary must join the combined return of its captive REIT parent.

Overcapitalized captive insurance companies — Effective for tax years beginning on or after January 1, 2009, any overcapitalized captive insurance company (as defined in Tax Law section 2.11) must be included in a combined return under Article 9-A or 32 with the closest corporation that directly or indirectly owns or controls over 50% of the voting stock of the captive insurance company.

Railroad and trucking corporations and aviation corporations —A company principally engaged in the railroad business or the trucking business may file a combined return only with other companies that are principally engaged in either the railroad business or trucking business. Similarly, a company principally engaged in the aviation business may file a combined return with other companies principally engaged in the aviation business, or with corporations that are qualified air freight forwarders with respect to the aviation corporation.

A corporation is a *qualified air freight forwarder* with respect to another corporation if **all** of the following apply:

(1) It owns or controls, either directly or indirectly, 100% of the capital stock of the other corporation; or if 100% of its capital stock is owned or controlled, either directly or indirectly, by the other

corporation; or if 100% of the capital stock of both corporations is owned or controlled, either directly or indirectly, by the same interests.

(2) It is principally engaged in the business of air freight forwarding.

(3) Its air freight forwarding business is carried on principally with the airline or airlines operated by the affiliated corporation.

Taxable FSCs — All FSCs, including those that are alien corporations (formed outside the United States), may be permitted or required to file a combined return with their corporate parent shareholder. For a special rule regarding computation of ENI of a FSC, see 20 NYCRR section 3-2.2(d).

Which forms to file

Form CT-3-A, *General Business Corporation Combined Franchise Tax Return*. A group of C corporations, meeting the requirements under *Who must file a combined return*, must use Form CT-3-A to file on a combined basis. Corporations included on Form CT-3-A may be combined only with other C corporations. A New York S corporation may not be included as a member of a combined return on Form CT-3-A.

Although the parent corporation is not necessarily the corporation that files Form CT-3-A, for purposes of this form, the taxpayer that is responsible for filing this form is designated as the parent corporation. Any other corporations included in the combined return will be designated subsidiaries.

Form CT-3-A/C, *Report by a Corporation Included in a Combined Franchise Tax Return,* must be filed by each member of the combined group, except the taxpayer that is designated as the parent corporation (the corporation responsible for filing Form CT-3-A) and any nontaxpayer (a foreign corporation not taxable in New York State) included in the combined group. No remittance of tax is required with this form.

Form CT-3-A/B, *Subsidiary Detail Spreadsheet,* a breakdown schedule of all the individual subsidiary information, must be filed for a combined group with more than one subsidiary. The lines on this form are identical to the lines on Form CT-3-A; therefore, separate line instructions are not needed.

Form CT-3-A/ATT, *Schedules A, B, and C — Attachment to Form CT-3-A,* must be filed only by those members of the combined group that have investment capital, subsidiary capital, or are qualified public utilities and transferees, qualified power producers, or qualified pipeline corporations.

All Forms CT-3-A/B, CT-3-A/C, and CT-3-A/ATT should be attached to the parent corporation's Form CT-3-A.

Form CT-50, *Combined Filer Statement for Existing Groups.* If your group received this form, you must verify its accuracy. Follow the instructions on Form CT-50.

Form CT-51, *Combined Filer Statement for Newly Formed Groups Only.* If your New York State combined group is newly formed, you must complete this form. Follow the instructions on Form CT-51.

Other forms you may need to file

Form CT-3-B, *Tax-Exempt Domestic International Sales Corporation (DISC) Information Return*, must be filed by tax exempt domestic international sales corporations on or before the 15th day of the 9th month after the end of the tax year.

Form CT-3-C, *Consolidated Franchise Tax Return*, must be filed by stockholders of tax-exempt DISCs that are included in a combined group with the DISC, and then this information must be transferred to the combined return.

Tax-exempt DISCs — A corporation that qualifies as a DISC under IRC 992(a) is exempt from tax under Tax Law Article 9-A, 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; **or**
- gross rentals from the rental of property purchased or leased from its stockholders; **or**
- total receipts, other than sales or rentals, from its stockholders.

Taxable DISCs are DISCs that don't meet the 5% test above. Taxable DISCs must file Form CT-3 or CT-3-A on or before the 15th day of the 9th month after the end of the tax year.

A parent corporation may elect to file a combined return with a taxable DISC, if it owns more than 80% of the DISC's voting capital stock. The ENI of a taxable DISC is zero.

Form CT-3M/4M, *General Business Corporation MTA Surcharge Return*, must be filed by a combined group 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-33-D, *Tax on Premiums Paid or Payable To an Unauthorized Insurer.* If you purchase or renew a taxable insurance contract directly from an insurer not authorized to transact business in New York State under a *Certificate of Authority* from the Superintendent of Financial Services, you may be liable for a tax of 3.6% (.036) of the premium. For more information, see Forms CT-33-D (4/11), *Tax on Premiums Paid or Payable To an Unauthorized Insurer For Taxable Insurance Contracts with an Effective date before July 21, 2011;* and CT-33-D (7/11)*, Tax on Premiums Paid or Payable To an Unauthorized Insurer For Taxable Insurance Contracts with an Effective Date on or after July 21, 2011.*

Form CT-60-QSSS, *Qualified Subchapter S Subsidiary Information Schedule,* must be filed to notify the Tax Department that a qualified subchapter S subsidiary (QSSS) is included in your return. You must mark an ***X*** in the box on line C of Form CT-3-A, and attach Form CT-60-QSSS to your CT-3-A return.

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. When New York follows federal QSSS treatment, the parent and QSSS file a single franchise tax return. The QSSS is ignored as a separate taxable entity, and the assets, liabilities, income, and deductions of the QSSS are included on the parent's franchise tax return. However, for other taxes such as sales and excise taxes, and the license and maintenance fees imposed under Article 9, the QSSS will continue to be recognized as a separate corporation.

a. **Parent is a New York C corporation —** New York will follow the federal QSSS treatment if (1) the QSSS is a New York taxpayer, or (2) the QSSS is not a New York taxpayer, but the parent makes a QSSS inclusion election. In both cases, the parent and QSSS will be taxed as a single New York C corporation. If the parent does not make a QSSS inclusion election, it will file as a New York C corporation on a stand-alone basis.

b. **Nontaxpayer parent —** New York will follow the federal QSSS treatment when the QSSS is a New York 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 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.

c. **Exception: excluded corporation —** Not withstanding the rules above, QSSS treatment will not be allowed unless both parent and QSSS are general business corporations. That is, the corporations will have to file on a stand-alone basis if one is an Article 9-A taxpayer but the other is an Article 9, 32, or 33 taxpayer, or is a corporation that would be subject to those taxes if taxable in New York State.

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

Form CT-186-E, *Telecommunications Tax Return and Utility Services Tax Return,* or the short Form CT-186-EZ, *Telecommunications Tax Return – Short Form*, must be filed by a corporation that provides telecommunications services. The corporation must pay an excise tax on its gross receipts from the sale of telecommunications services under Article 9 section 186-e.

Form CT-222, *Underpayment of Estimated Tax by a Corporation*, is filed by a corporation to inform the Tax Department that the corporation meets one of the exceptions to reduce or eliminate the underpayment of estimated tax penalty pursuant to Tax Law, Article 27, section 1085(d).

Form CT-240, *Foreign Corporation License Fee Return*, must be filed by a corporation organized outside New York State (a foreign corporation) that is doing business in New York State (except a nontaxpayer included in the group), to pay the license fee based on capital stock. This return must be filed when you file your first franchise tax return, or if capital stock employed in New York State has increased since the last license fee return was filed.

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

If 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.

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

1) the federal accelerated cost recovery system (ACRS) depreciation and modified accelerated cost recovery system (MACRS) deduction for certain property placed in service after December 31, 1980; **or**
2) a 30%/50%/100% federal special depreciation deduction for certain qualified property placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002.

This form also contains schedules for determining a New York State gain or loss on the disposition of ACRS/MACRS property and the 30%/50%/100% federal special depreciation property. It is also used to compute the depreciation adjustment for the minimum taxable income (MTI) base.

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

Form DTF-95, *Business Tax Account Update,* is used to report any changes in any member corporation's business name, identification number, mailing address, business address, telephone number, or owner/officer information if you have not previously notified us.

Form DTF-96, *Report of Address Change for Business Tax Accounts,* is used if only the member corporation's address has changed.

Form DTF-664, *Tax Shelter Disclosure for Material Advisors,* has been developed to assist material advisors in complying with New York State's disclosure requirements.

Form DTF-686, *Tax Shelter Reportable Transactions Attachment to New York State Return,* has been developed to assist taxpayers and persons in complying with New York State's disclosure requirements.

Consult **Publication 20, *New York State Tax Guide for New Businesses,*** for more information about other taxes that may apply to you.

When to file

File Form CT-3-A within 2½ months after the end of your reporting period. If your filing date falls on a Saturday, Sunday, or legal holiday, file your return on or before the next business day.

Extensions if you cannot meet the filing deadline

If you cannot meet the filing deadline, you must request a six-month extension of time by filing Form CT-5.3, *Request for Six-Month Extension to File (for combined franchise tax return, or combined MTA surcharge return, or both),* on or before the due date of the return. This form requires detailed information about the group, including names, identification numbers, and the amounts and kinds of payments made by the members of the group.

You must pay the properly estimated combined franchise tax, combined minimum tax on member corporations, and combined metropolitan transportation business tax (MTA surcharge) amounts due by the original due date of the tax return for which the extension is requested.

You may request up to two additional three-month 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:

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

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

Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to mail in your form and tax payment. However, if, at a later date, you need to establish the date you filed 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. (Currently designated delivery services are listed in Publication 55, *Designated Private Delivery Services.* See *Need help?* for information on obtaining forms and publications.) If you have used a designated private delivery service and need to establish the date you filed your form, contact that private delivery service for instructions on how to obtain written proof of the date your form was given to the delivery service for delivery. If you use **any** private delivery service, whether it is a designated service or not, send the forms covered by these instructions to: State Processing Center, 431C Broadway, Albany NY 12204-4836.

Penalties and interest

If you pay after the due date

If the combined group does not pay the tax due on or before the original due date, it must pay interest on the amount of the underpayment from the original due date of the return (**without** regard to any extension of time to file.) Exclude from the interest computation any amount shown on line 85a or 85b. 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 line 85a or 85b.

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

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

Note: You may compute your penalty and interest by accessing our Web site, or you may call and we will compute the penalty and interest for you (see *Need help?*).

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

Tax Law section 1085(n) provides for a penalty of $500 for failure to provide information about interest payments made to shareholders that were deducted in computing ENI. See instructions for lines 114 and 115 (Article 27, section 1085(n)).

If you fail to provide information about your issuer's allocation percentage

Tax Law section 1085(o) provides for a penalty of $500 for failure to provide information needed to compute your issuer's allocation percentage. See instructions for line 41.

Other penalties

Strong civil and criminal penalties may be imposed for negligence or fraud.

Is this an amended return?

If your combined group is filing an amended return for any purpose, mark an ***X*** in the ***Amended return*** box on page 1 of the return.

If you file an amended federal return, you must file an amended New York State return within 90 days thereafter.

For amended returns based on changes to federal taxable income (FTI) — If your FTI has been changed or corrected by a final determination of the Commissioner of Internal Revenue or by a renegotiation of a contract or subcontract with the United States, you must file an amended return reflecting the change to FTI within 90 days (120 days if filing an amended combined return) of the final federal determination. For a definition of final determination, see 20 NYCRR section 6-1.3(b).

You must attach a copy of federal Form 4549, *Income Tax Examination Changes,* to your amended return.

For credits or refunds based upon carryback of a net operating loss (NOL) — To claim a credit or refund resulting from the carryback of an NOL or alternative net operating loss (ANOL) to a prior year, file an amended return within 90 days (120 days if filing an amended combined return) from the date of the document indicating approval of the federal refund or credit.

You must attach the following to your amended return:

- federal claim Form 1139, *Corporation Application for Tentative* Refund, **or** federal Form 1120X, *Amended U.S. Corporation Income Tax Return;*
- a copy of the New York State return for the loss year; and
- proof of federal refund approval, *Statement of Adjustment to Your Account.*

If you are a federal S corporation that files as a New York C corporation file an amended New York State return for the prior year and attach a copy of federal Form 1120S, *U.S. Income Tax Return for an S Corporation,* for the loss year. File the amended return within 15 months from the end of the loss year.

For credits or refunds of corporation tax paid — To claim any refund type that requires an amended return, other than an NOL carryback (see above), file an amended New York State return for the year being amended and, if applicable, attach a copy of the claim form filed with the IRS (usually Form 1120X) and proof of federal refund approval, *Statement of Adjustment to Your Account*.

If you are a federal S corporation, file an amended New York State return for the year being amended. If applicable, attach a copy of the amended federal Form 1120S.

The amended return must be filed within three years of the date the original return was filed or within two years of the date the tax was paid, whichever is later. If you did not file an original return, you must make the request within two years of the date the tax was paid. However, a claim for credit or refund based on a federal change must be filed within two years from the time the amended return reporting the change or correction was required to be filed (see above). For additional limitations on credits or refunds, see Tax Law, Article 27, section 1087.

Filing your final return

Mark an ***X*** in the *Final return* box on page 1 of Form CT-3-A if the parent corporation is a:

- domestic corporation that ceased doing business, employing capital, or owning or leasing property in New York State during the tax year and wishes to dissolve; or
- foreign corporation that is no longer subject to the franchise tax in New York State.

Do not mark an ***X*** in the *Final return* box if the parent corporation is only changing the type of return filed (for example, from Form CT-3-A to CT-3-S).

Do not mark an ***X*** in the *Final return* box in the case of a merger or consolidation.

Include the full profit from any installment sale made in your final tax year in your final return. Also, include in your final return any remaining profit not yet received from a prior year's installment sale.

Note: A foreign corporation, authorized to do business in New York State but disclaiming tax liability, that wishes to continue to be authorized must file Form CT-245.

For information on voluntary dissolution and surrender of authority, see Forms TR-125, *Instructions for Voluntary Dissolution of New York State Business Corporation,* and TR-199, *Surrender of Authority-Foreign Corporation,* on our Web site (see *Need help?*).

Reporting period

Use this tax return for calendar year 2011 and fiscal years that begin in 2011 and end in 2012.

You can also use the 2011 return if:

- you have a tax year of less than 12 months that begins and ends in 2012, **and**
- the 2012 return is not yet available at the time you are required to file the return.

In this case you must show your 2012 tax year on the 2011 return and take into account any tax law changes that are effective for tax years beginning after December 31, 2011.

All filers must complete the beginning and ending tax year boxes in the upper right corner on page 1 of the form.

Taxpayers using a 52-53 week year

A taxpayer who reports on the basis of a 52-53 week accounting period for federal income tax purposes may report on the same basis for Article 9-A purposes. If a 52-53 week accounting period begins within seven days from the first day of any calendar month, the tax year is deemed to begin on the first day of that calendar month. If a 52-53 week accounting period ends within seven days from the last day of any calendar month, the tax period will be deemed to end on the last day of the calendar month.

Overview of corporation franchise tax

Tax bases

Combined groups subject to Tax Law Article 9-A generally must compute four distinct taxes and pay the tax that results in the highest amount owed. The four taxes include a tax on combined ENI, a tax on combined business and investment capital, a tax on combined MTI, and a fixed dollar minimum tax. In addition, if a member of the group has any subsidiaries that are not included in the combined return, the group must pay a tax on such subsidiary capital. Also, each taxable member of the combined group must pay the fixed dollar minimum tax.

Fixed dollar minimum tax

The fixed dollar minimum tax is determined by the corporation's New York receipts.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on Form CT-3-A, line 74a for the parent and on Form CT-3-A/C, line 1a for each taxable subsidiary. If you do not have New York receipts, enter ***0*** on the appropriate line. Failure to make an entry on this line may result in an assessment of tax, or a reduction of your refund or credit.

A domestic corporation that is no longer doing business, employing capital, or owning or leasing property in New York State is exempt from the fixed dollar minimum tax for years following its final tax year and is no longer required to file a franchise tax return provided it meets the requirements listed in TSB-M-06(5)C.

Short periods — fixed dollar minimum tax and maintenance fee

Compute the New York receipts for short periods (tax periods of less than 12 months) by dividing the amount of New York receipts 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 6 months	50%
— More than 6 months but not more than 9 months	25%
— More than 9 months	None

You are subject to the maintenance fee for the entire period in which you are authorized in New York State regardless of whether you were actually doing business in New York State.

Computation of tax for corporate partners

A taxpayer that is a partner in a partnership (a corporate partner) computes its tax for its interest in the partnership using either the aggregate method or entity method, whichever applies. (For exception under 20 NYCRR section 3-13.5, see *Election by a foreign corporate limited partner*.)

Aggregate method — Under the aggregate method, a corporate partner is viewed as having an undivided interest in the partnership's assets, liabilities, and items of receipts, income, gain, loss, and deduction. The partner is treated as participating in the partnership's transactions and activities. (20 NYCRR section 3-13.3)

Entity method — Under the entity method, a partnership is treated as a separate entity and a corporate partner is treated as owning an interest in the partnership entity. The partner's interest is an intangible asset that is classified as business capital. To the extent a corporate partner's ENI includes its distributive share of partnership items of income, gain, loss, or deduction, those items are treated as business income. (20 NYCRR section 3-13.4)

Corporate partners required to file under the aggregate method

A corporate partner receiving a complete Form IT-204-CP must file using the aggregate method. In addition, a corporate partner must file using the aggregate method if the corporate partner has access to the information necessary to compute its tax using the aggregate method. A corporate partner is presumed to have access to the information if it meets **one or more** of the following conditions:

- it is conducting a unitary business with the partnership;
- it is a general partner of the partnership or is a managing member of an LLC which is treated as a partnership for federal income tax purposes;
- it has a 5% or more interest in the partnership;
- it has reported information from the partnership in a prior tax year using the aggregate method;
- its partnership interest constitutes more than 50% of its total assets;
- its basis in its interest in the partnership determined under IRC section 705 on the last day of the partnership year that ends within or with the taxpayer's tax year is more than $5,000,000; or
- any member of its affiliated group has the information necessary to perform such computation.

A corporate partner that does not receive a complete Form IT-204-CP may file using the entity method **only** if it does **not** meet any of the conditions listed above **and** does not have access (and will not have access within the time period allowed for filing a return with regard to all available extensions of time to file) to the information necessary to compute its tax using the aggregate method and certifies these facts to the Tax Commissioner. (20 NYCRR section 3-13.2(b))

Computation of tax under the aggregate method — The taxpayer's **distributive share** (see IRC section 704) of each partnership item of receipts, income, gain, loss, and deduction and the taxpayer's **proportionate part** of each partnership asset, liability, and partnership activity are included in the computation of the taxpayer's ENI base, capital base, MTI base, and the fixed dollar minimum. These items have the same source and character in the hands of the partner for Article 9-A purposes that the items have for the partner for federal income tax purposes. (20 NYCRR section 3-13.3)

Computation of tax under the entity method — A corporate partner is treated as owning an interest in the partnership entity for purposes of determining the taxes measured by the ENI base, capital base, MTI base, and the fixed dollar minimum. The partner's interest is an intangible asset which is business capital. (20 NYCRR section 3-13.4)

Election by a foreign corporate limited partner — A foreign corporation that is a limited partner in one or more limited partnerships, that is subject to tax solely as a result of the application of 20 NYCRR section 1-3.2(a)(6) and that does not file on a combined basis for Article 9-A purposes may elect to compute its tax by taking into account **only** its distributive share of each partnership item of receipts, income, gain, loss, and deduction (including any modifications) and its proportionate part of each asset, liability, and partnership activity of the limited partnership. (20 NYCRR section 3-13.5)

This election may not be made if the limited partnership and corporate group are engaged in a unitary business, wherever conducted, and there are substantial inter-entity transactions between the limited partnership and the corporate group.

Corporate group means the corporate limited partner itself or, if it is a member of an affiliated group, the corporate limited partner and all other members of such affiliated group.

Affiliated group has the same meaning as such term is defined in IRC section 1504 without regard to the exclusions provided for in section 1504(b). However, the term *common parent corporation* is deemed to mean any person as defined in IRC section 7701(a)(1).

If the taxpayer meets the criteria to make the election and does not have access to the information necessary to do the computation, the taxpayer may treat its distributive share of the partnership's items of income, gain, loss, and deduction as business income and its interest in the partnership as business capital and may allocate that business income and capital entirely to New York State.

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.

Foreign airlines

Foreign airlines that have a foreign air carrier permit, pursuant to section 402 of the Federal Aviation Act of 1958, are entitled to exclude from ENI 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 business allocation formula based on receipts, payroll and property, as opposed to the 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 airline allocation formula.

For further information see TSB-M-94(2)C, *Important Notice: Summary of 1994 Corporation Tax Law Changes.*

How to fill out your tax return

Important identifying information

When preparing your corporation tax return, be sure to accurately complete the corporation's identifying information including your current address. Enter your **employer identification number** (EIN) and **file number** just above your 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 your forms.

Are you claiming an overpayment?

If you are claiming an overpayment on line 95 of Form CT-3-A, mark an ***X*** in the appropriate box on page 1 of your return.

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, all applicable entries in the paid preparer section must be completed, including identification numbers (see *Paid preparer identification numbers* in Form CT-1). Failure to sign the return will delay the processing of any refunds and may result in penalties.

Line instructions for Forms CT-3-A and CT-3-A/B

General explanation — Corporations in the combined group must compute combined ENI, combined business and investment capital, and combined MTI according to 20 NYCRR, sections 3-2.10, 3-3.8, and 3-4.5, respectively.

Form CT-3-A is the form on which the combined tax is computed. The form provides a column A for the parent and a subsidiary column B for the other members of the group. If there is only one member of the group other than the parent, the figures of the member are entered in column B of Form CT-3-A. If there are two or more members of the group other than the parent, the figures for the subsidiary column on Form CT-3-A are obtained from Form CT-3-A/B.

Columns A and B on Form CT-3-A are then added together, and the subtotal is indicated in column C. Enter in column D any intercorporate eliminations. Attach a list of any intercorporate eliminations for each corporation in the combined return. Subtract column D from the subtotal in column C and enter the balance in column E.

Form CT-3-A/B provides a column for each member in the group other than the parent corporation. The columns are added together and the totals are then carried to the subsidiary column B on Form CT-3-A.

The line instructions below are used for Forms CT-3-A and CT-3-A/B.

The shaded areas of Forms CT-3-A and CT-3-A/B are non-entry areas.

Line A — Make your check or money order payable 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.***

Line D — Indicate which type of federal return was filed, and list any year during the past five for which any corporation in the combined group was audited by the IRS on line 110.

Line E — Tax Law, Article 36, section 1700 authorizes the Tax Department to waive civil and criminal penalties for taxpayers who disclose and pay overdue taxes. Under the Tax Department's Voluntary Disclosure and Compliance Program, eligible taxpayers who owe back taxes can avoid monetary penalties and possible criminal charges by:

- telling the Tax Department what taxes they owe;
- paying those taxes; and
- entering an agreement to pay all future taxes.

Tax rates schedule

Tax base	Tax rates
Table 1 - ENI base for general business taxpayers	.071
Table 2 - ENI base for qualified small business taxpayers	
ENI base of $290,000 or less:	.065
ENI base of more than $290,000 but not more than $390,000:	• $18,850 *plus* • .071 of the amount over $290,000 *plus* • .0435 of the amount over $350,000
Table 3 - For tax years beginning on or after January 31, 2007 ENI base for qualified New York manufacturers	.065
Table 4 - Capital base	.0015
Table 5 - Capital base for qualified cooperative housing corporation*	.0004
Table 6 - MTI base	.015
Table 7 - Fixed dollar minimum tax You must compute a fixed dollar minimum tax for each member of the combined filing group, except a foreign corporation that is included in the combined group but is not taxable in New York State.	
For a corporation with New York receipts of:	
Not more than $100,000	$ 25 **
More than $100,000 but not over $250,000	$ 75 **
More than $250,000 but not over $500,000	$ 175 **
More than $500,000 but not over $1,000,000	$ 500
More than $1,000,000 but not over $5,000,000	$ 1,500
More than $5,000,000 but not over $25,000,000	$ 3,500
Over $25,000,000	$ 5,000
Table 8 - Subsidiary capital base	.0009

*See *Cooperative housing corporations*.

****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, except in those instances when you file a short period return and your maintenance fee may be less than $300. If you file a short period return, refer to *Short periods - fixed dollar minimum tax and maintenance fee*.

It's easy to apply. Visit our Web site (see *Need help?*). Just follow the prompts, answer a few questions, and submit your application electronically.

Line F — If a member in the combined group is a REIT as defined in IRC section 856, or a RIC as defined in IRC section 851, mark an ***X*** in the box.

Computation of combined entire net income (ENI) base

Line 1 — Enter federal taxable income (FTI) (before net operating loss (NOL) 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-C, use the amount from line 25 less the amount from line 26a.

— If you file federal Form 1120-REIT use the amount from line 22. However, any dividends deducted in computing such line 22 that were paid by the captive REIT to any member of the affiliated group that includes the corporation that directly or indirectly owns over 50% of the voting stock of the captive REIT is not allowed and must be included on line 1. An affiliated group is defined in IRC section 1504, but without regard to the exceptions provided for in IRC section 1504(b). Include the disallowed amount in the first entry box on Form CT-3-A.

— If you file federal Form 1120-RIC use the amount from line 26. However, any dividends deducted in computing such line 26 that were paid by the captive RIC to any member of the affiliated group that includes the corporation that directly or indirectly owns over 50% of the voting stock of the captive RIC is not allowed and must be included on line 1. An affiliated group is defined in IRC section 1504, but without regard to the exceptions provided for in IRC section 1504(b). Include the disallowed amount in the first entry box on Form CT-3-A.

— If you are an 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 FTI (before NOL 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
- Interest
- Gross rents
- Gross royalties
- Capital gain net income
- Charitable contributions
- IRC section 199 deduction

— 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 FTI (before NOL and special deductions) were you not exempt. Attach a separate sheet showing how the amount was determined.

— If you have an amount of excess inclusion as a result of having a residual interest in a real estate mortgage investment conduit (REMIC), you must properly reflect this income in FTI.

If you are a member of a federal affiliated group that files a consolidated return, and the state combined group is the same as the federal group, or if all members of the state group are included in a larger federal group filing the consolidated return, attach a copy of the federal consolidated return and the consolidating workpapers indicating the separate taxable income of each corporation before elimination of intercorporate transactions. If some members of the state combined group are not included in the federal consolidated return, but instead file separately, send a copy of the federal consolidated return plus a complete copy of the separate federal return, as filed with the IRS, for each corporation not included in the federal consolidated group.

When computing combined NYS ENI on the combined return, all intercorporate dividends (except dividends from a DISC or former DISC not exempt from tax under Article 9-A) must be eliminated on line 1, column D. Capital losses should be offset against capital gains, contributions should be deducted and intercorporate profits should be treated as if each corporation in the group had filed its federal income tax return on a separate basis. However, corporations may offset capital losses against capital gains, deduct contributions and defer intercorporate profits as if the corporations in the group had filed a consolidated federal income tax return, provided the group of corporations included in the combined return consistently compute combined ENI by this method. Changes in the method of computing combined ENI may be made only with the approval of the commissioner. (20 NYCRR section 3-2.10)

Note: If you have a gain or loss from the sale of an included subsidiary, see TSB-M-08(3)C, *Treatment of the Sale of Subsidiary Stock when a Subsidiary is Included in a Combined Report*, before completing this return.

Lines 2 through 8 — Additions

Use lines 2 through 8 to add items that are not included in FTI but must be included in New York State ENI.

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 FTI 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 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 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 — Expenses attributable to subsidiary capital

Complete lines 4a, 4b, 5a, and 5b to report any expenses directly or indirectly attributable to combined subsidiary capital. The term *combined subsidiary capital,* as used in these instructions for lines 4a, 4b, 5a, and 5b, means stocks or indebtedness of a corporation not included on this return that constitute subsidiary capital includable on line 220, column E (otherwise, enter ***0*** on lines 4a, 4b, 5a, and 5b).

Taxpayers should refer to TSB-M-88(5)C, *Direct and Indirect Attribution of Deductions Article 9-A*, for complete details regarding the attribution of **interest** expenses and TSB-M-95(2)C, *Attribution of Noninterest Deductions*, regarding the attribution of **noninterest** expenses.

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 for 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, and/or chains of corporations, and/or partnerships. 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 New York State Tax Law Article 9-A, 32, or 33. See 20 NYCRR 3-6.3 for additional information.

Line 4a — Enter the amount of **interest** deductions allowed in the computation of ENI (includable in the amount of *Line 5a Worksheet,* line E) that are **directly** attributable to combined subsidiary capital (or to income, losses, or gains from combined subsidiary capital).

Line 4b — Enter the amount of **noninterest** deductions allowed in the computation of ENI (includable in the amount of *Line 5b Worksheet,* line E) that are **directly** attributable to combined subsidiary capital (or to income, losses, or gains from combined subsidiary capital).

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

— Interest on debt incurred to buy combined subsidiary capital.

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

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

— Stewardship deductions relating to combined subsidiary capital.

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

— Combined investment capital (or to income, losses, or gains from investment capital); see Form CT-3-A, line 209 or line 210.

— Combined business capital (or to income, losses or gains from business capital). **Note:** 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 **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, corporation, or a combined group are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division, corporation, or combined group may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Line 5a — Enter the amount of **interest** deductions that are **indirectly** attributable to combined subsidiary capital or to income, gains, or losses from combined subsidiary capital (from *Line 5a Worksheet,* line N).

Line 5b — Enter the amount of **noninterest** deductions that are **indirectly** attributable to combined subsidiary capital or to income, gains, or losses from combined subsidiary capital (from *Line 5b Worksheet,* line R).

Line 6 — Enter the amount deducted on your federal return for New York taxes imposed under Article 9, sections 183, 183-a, 184, 184-a, and Articles 9-A, 23, 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 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 one or more of the following applies:

— the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** in or outside New York State after 1980 in tax periods beginning before 1985; **or**

— 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; **or**

— the corporation claims a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in Tax Law, Article 9-A, section 208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; **or**

— the corporation disposes this year of either ACRS/MACRS property, or property for which a 30%/50%/100% federal special depreciation deduction was claimed, and the New York depreciation modifications applied to the property in any prior years.

If this line applies, complete Form CT-399. Include from Form CT-399, line 3, column E, the amount of your federal deduction that must be added back to FTI, or, if you disposed of property this year, use the amount from CT-399, line 10, column A. (Enter your allowable New York depreciation amount on line 14 of this form.)

Line 8 — IRC section 199 deduction — Enter in the first entry box the total amount of the combined group's deduction for domestic production activities from your federal return that is required to be added back under Tax Law section 208.9(b)(19).

If you have any of the following other additions to FTI, add the amount from the first entry box to the total amount of those additions and enter the result. Attach a separate sheet listing the other additions.

Note: The foreign trade income of an FSC, which is excluded from gross income for federal income tax purposes, is not required to be added back in determining New York State ENI (20 NYCRR section 3-2.2(d)).

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 FTI. 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 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 FTI. The gain on the sale of real property on which you claimed the special additional mortgage recording tax credit must be increased when all or any part of the credit was also used in the basis for computing the federal gain.

A-3 If your corporation has a safe harbor lease you must include:

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

A-4 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 FTI, to the extent of the amount of the credit allowed under section 210.22.

A-5 Qualified emerging technology investments (QETI) - If you elected to defer the gain from the sale of QETI, then you must add to FTI the amount previously deferred when the reinvestment in the New York qualified emerging technology company that qualified you for that deferral is sold. See subtraction S-6.

A-6 Qualified public utility corporations must make the required addbacks pursuant to New York State Tax Law section 208.9(c-2). Qualified power producers and qualified pipeline corporations must make the required addbacks pursuant to Tax Law section 208.9(c-3).

A-7 Enter the amount of related member royalty payment required to be added back pursuant to Tax Law section 208.9(o), except where you are included in a combined return with a related member.

A-8 Amount of sport utility vehicle (SUV) depreciation required to be added back pursuant to Tax Law section 208.9(b)(16).

A-9 If you are claiming an environmental remediation insurance credit, you must include on this line the amount of premiums paid for environmental remediation insurance and deducted in determining FTI, to the extent of the amount of the credit allowed under Tax Law, Article 1, section 23 and Article 9-A, section 210.35.

Lines 10 through 16 — Subtractions

Use lines 10 through 16 to subtract items that are included in FTI but should not be included in New York ENI.

Line 11 — Enter 50% of 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). Include 50% of the dividends received from a money market mutual fund included as investment capital (cash) on Form CT-3-A, line 200. Do not include the grossed-up dividends, under IRC section 78. For more information, see TSB-M-89(14)C, *50% Dividend Deduction to Conform with Federal Holding Periods*.

If you are a RIC or a REIT, you do not qualify for a deduction for dividends received from nonsubsidiary stock.

Line 12 — Enter foreign dividend gross-up pursuant to IRC section 78 (see federal Form 1120, Schedule C). ENI **does not**

include any amount treated as dividends pursuant to IRC section 78 (section 208.9(a)(6)).

Line 13 — Enter any New York NOL carried forward from prior years. The combined net operating loss deduction (NOLD) is subject to the same limitations that would apply for the federal income tax as if the same corporations filed on a consolidated basis, except for the $10,000 limitation on carrybacks. Attach a separate sheet with full details of both federal and New York NOL computations. For detailed information, see 20 NYCRR section 3-8.7.

These rules apply:

- IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b) and (g).
- For NOLs incurred, refer to IRC section 172 for carryback and carryforward periods.
- If the combined group has elected to carry back an NOL for federal tax purposes, the group may carry back only the first $10,000 of the group's NOL to the preceding years. Use an amended return to request a refund based on an NOL carryback.
- Any portion of the $10,000 NOL not used as a carryback may be carried forward.
- If you have elected for federal tax purposes to relinquish the carryback of an NOL, you may not carry back an NOL for state tax purposes, and you must submit a copy of your federal election.
- No deduction is allowed for an NOL sustained during any year in which the corporation was not subject to tax under Article 9-A.
- The New York NOLD for any particular year is limited to the federal NOLD for that year. (For the purposes of this limitation, a corporation that has elected to carry back up to $10,000 of its NOL for New York State purposes should compute its federal NOLD as if it only carried back the same $10,000.)
- A New York C corporation is not allowed a deduction for an NOL sustained during a New York S year.
- A New York S year is treated as a tax year for purposes of determining the number of tax years to which the NOL may be carried back or forward (Tax Law section 208.9(f)(4)).
- A REIT is allowed a deduction for NOLs.
- These rules also apply to a federal S corporation not electing New York S corporation treatment. These corporations should compute their NOLs and NOLDs 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 an NOL, 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 a timely election with the Tax Department must carry the first $10,000 of the NOL back before the loss can be carried forward.

Special NOL provisions apply to aviation corporations (see *Aviation corporations*).

Note: Patronage-sourced NOLs cannot be used to reduce nonpatronage-sourced taxable income.

Aviation corporations

Corporations principally engaged in aviation are taxable under Article 9-A and may claim an NOLD in the same manner as other Article 9-A corporations. Air freight forwarders acting as principal or like indirect carriers are limited to NOLs sustained in years that they were taxable under Article 9-A.

Aviation corporations (other than air freight forwarders acting as principal or like indirect air carriers) may carry forward any NOLs 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 NOL 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 through 1988 NOL must be carried forward.

Line 14 — Use this line if one or more of the following applies:

— the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** in or outside New York State after 1980 in tax periods beginning before 1985; **or**

— 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; **or**

— the corporation claims a 30%/50%/100% federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in Tax Law section 208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; **or**

— the corporation disposes this year of either ACRS/MACRS property, or property for which a 30%/50%/100% federal special depreciation deduction was claimed, and the New York depreciation modifications applied to the property in any prior years.

If this line applies, enter the amount from Form CT-399, line 3, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 10, column B, and attach the form. For more information, see Form CT-399-I.

Line 15 — If you have any of the following other subtractions from FTI, 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 FTI. Make the adjustment for New York State gain or loss on qualified New York 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, less any deductions allowed in computing FTI that are directly or indirectly attributable to those receipts.

S-3 Include any refund or credit of a tax imposed under Tax Law Article 9-A, 23, or 32, for which no exclusion or deduction was allowed in determining the taxpayer's ENI for any prior year, or any refund or credit of a tax imposed under Tax Law section 183, 183-a, 184, or 184-a. 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 FTI 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 FTI 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 FTI 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. 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 replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. You must addback the gain deferred in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from FTI 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.

For a definition of a qualified emerging technology company (QETC) and QETI, see TSB-M-98(7)C, *1998 Summary of Corporation Tax Legislative Changes*, pages 5 and 6.

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 FTI. Do not include amounts received from assets acquired with such assets or with the proceeds from the sale of such assets (Tax Law, Article 1, section 13).

S-8 Qualified public utilities and transferees must make deductions pursuant to New York State Tax Law section 208.9(c-2), and qualified power producers and qualified pipeline corporations must make deductions pursuant to section 208.9(c-3).

For more information, see instructions for Schedule C - *Qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations*.

S-9 Amount of related member royalty payment required to be subtracted pursuant to Tax Law section 208.9(o).

S-10 Amount of SUV recapture required to be subtracted pursuant to Tax Law section 208.9(a)(16).

S-11 Enter in the first entry box the amount of refund of the qualified empire zone enterprise (QEZE) credit for real property taxes that is included in your FTI and is being included on line 15.

Lines 18 through 24 — Combined ENI base

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

Line 18 — Enter the amount of combined investment income from line 215. Do not enter more than the amount on line 17. If you had no investment income, enter ***0***.

Line 21 — Multiply line 19 by your combined business allocation percentage (BAP) from lines 128, 160, or 163. If you claim a combined business allocation of 100%, 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 combined ENI base.

Line 25 — Combined ENI base tax computation

General business taxpayers

If the combined group does not qualify as a small business taxpayer (as defined below) or a qualified New York manufacturer (see line 117b instructions), multiply line 24 by 7.1% (.071) and enter the result on lines 25 and 72, then continue with line 26.

Small business taxpayers

If your combined ENI base is $290,000 or less, multiply line 24 by 6.5% (.065) and enter the result on lines 25 and 72, then continue with line 26.

Complete lines 116a and 116b if you use the small business taxpayer rate.

If your combined ENI base is more than $290,000, but not over $390,000, your effective rate will be between 6.5% and 7.1% and your tax is:

1. $18,850 ($290,000 multiplied by 6.5%); **plus**
2. 7.1% of any amount over $290,000; **plus**
3. 4.35% of any amount over $350,000.

Use worksheet below to compute your tax.

Combined ENI base from line 24...	_____	..... A	18,850
Subtract.....	290,000		
Multiply balance	_____	by .071 = B	_____
Subtract.....	60,000		
Multiply balance	_____	by .0435 = C	_____
Total *(add lines A, B, and C and enter the result here and on lines 25 and 72)*			_____

A small business taxpayer's tax on the combined ENI base will never exceed $27,690 for the tax period.

Small business taxpayers definition

A combined group qualifies as a small business taxpayer if all of the following apply:

— Its combined ENI (before allocation) is not more than **$390,000**; **and**

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

— No member of the group is part of an affiliated group, as defined in IRC section 1504, unless the affiliated group itself would have met the above criteria if it had filed a combined return.

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

If the combined group is a qualified New York manufacturer (as defined in line 117a and 117b instructions), multiply line 24 by 6.5% (.065) and enter the result on lines 25 and 72, and continue with line 26. Mark an ***X*** in the applicable box on line 117b to avoid an erroneous assessment or delayed refund.

Computation of combined capital base

Lines 26 through 41

When computing combined business capital and combined investment capital, all intercorporate stockholdings, intercorporate bills, intercorporate notes receivable and payable, intercorporate accounts receivable and payable, and other intercorporate indebtedness must be eliminated.

In the case of a REIT, RIC, or overcapitalized captive insurance company required to be included in a combined return under Tax Law section 211.4, the combined return must include the combined capital of all corporations including the REIT, RIC, or overcapitalized captive insurance company.

To determine the value of your assets for the combined 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 (GAAP). 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, use the average value method. 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 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, *Valuation of Real Property*, for determination of fair market value of real property.

Line 31 — Enter the amount of all liabilities, direct or indirect, 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 38 — If you claim a combined business allocation of 100%, enter the full amount from line 36.

Line 40 — Combined capital base tax computation — Multiply line 39 by the tax rate of .0015. Cooperative housing corporations multiply line 39 by .0004. Enter the result on line 73, but do not enter more than $350,000 if the combined group is a qualified New York manufacturer (see line 117a instructions to see if the combined group

qualifies as a qualified New York manufacturer), and do not enter more than $1,000,000 for all other taxpayers. Complete line 117a if you are claiming qualified New York manufacturer status for purposes of a lower capital base tax limitation. If you have been taxable in New York State for less than two years, see the instructions for line 73 to see if you qualify as a new small business corporation.

Note: All cooperative housing corporations are required to file Form TP-588, *Cooperative Housing Corporation Information Return*, semiannually. Refer to the instructions on Form TP-588 for more information.

Short periods – If a tax return is for a period of less than 12 months, determine the amount of combined 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 41 — The combined **issuer's allocation percentage** represents the amount of capital employed by the combined group within New York State compared to the total combined capital employed everywhere. If each member of the combined group does not supply the information needed to compute the combined issuer's allocation percentage, the parent may have to pay a $500 penalty.

To determine the percentage, add line 39 (combined capital base), line 223, column E (combined subsidiary capital base), and the total from each filed Form CT-3-A/ATT, line 11 (deduction from subsidiary capital for corporations subject to tax under Article 32, Article 33, or Article 9 section 186). Divide this amount by the amount on line 32 (total capital). If you have no subsidiary capital, divide the line 39 amount by the line 32 amount.

Computation of combined minimum taxable income (MTI) base

Lines 42 through 71

When computing combined MTI, all intercorporate dividends (except dividends from a DISC or a former DISC not exempt from tax under Article 9-A) must be eliminated. Capital losses should be offset against capital gains, contributions should be deducted and intercorporate profits should be treated as if each corporation in the combined group had filed its federal income tax return on a separate basis. However, corporations may offset capital losses against capital gains, deduct contributions and defer intercorporate profits as if the group had filed a consolidated federal income tax return, provided the corporations in the group consistently computes combined MTI by this method. Changes in the method of computing combined MTI may be made only with the approval of the commissioner.

The calculation of combined MTI requires the addition to ENI of federal tax preference items, the addition or subtraction of certain federal adjustments used to compute federal alternative MTI, the addition of the New York State NOLD and the subtraction of the alternative net operating loss deduction (ANOLD). MTI is allocated by the use of an alternative BAP and the regular investment allocation percentage. See Tax Law sections 208.8-B, 210.1(c), and 210.3-a; and TSB-M-90(13)C, *Computation of Minimum Taxable Income Base and Minimum Tax Credit*, and TSB-M-94(5)C, *Computation of Minimum Taxable Income and Minimum Tax Credit.*

The Tax Law also provides for a minimum tax credit, available for use against tax computed on the ENI 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-38, *Minimum Tax Credit*.

You must determine an MTI base and tax, whether or not you file federal Form 4626.

Lines 43 through 50 – Adjustments — Enter ***0*** on any line that does not apply to you. Show any negative amounts with a minus (-) sign.

Line 43 — If you are required to complete Form CT-399, Part 4, *Minimum taxable income base depreciation adjustments*, enter the amount from Form CT-399, line 15 or 16.

If you are not required to complete Form CT-399, Part 4, enter the amount from federal Form 4626, line 2a. However, if you are not required to file federal Form 4626, compute the amount which would have been required to be reported on line 2a of this form.

Attach a copy of federal Form 4626 to this form.

Line 44 — Enter the federal item of adjustment for mining exploration and development costs as determined in IRC section 56(a)(2) (from federal Form 4626).

Line 45 — Enter the federal item of adjustment for circulation expenditures of personal holding companies as determined under IRC section 56(b)(2) (from federal Form 4626).

Line 46 — Enter the federal item of adjustment for adjusted gain or loss determined under IRC section 56(a)(7) (from federal Form 4626), modified as follows.

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 IRC section 56(a)(3) (from federal Form 4626).

Line 48 — Enter the federal item of adjustment for installment sales of certain property as determined under IRC section 56(a)(6) (from federal Form 4626).

Line 49 — Enter the federal item of adjustment for merchant marine capital construction funds as determined under IRC section 56(c)(2) (from federal Form 4626).

Line 50 — Enter the federal item of adjustment for disallowance of passive activity loss as determined under IRC section 58(b) (from federal Form 4626).

Line 52 — Enter the federal item of preference for depletion as determined under IRC section 57(a)(1) (from federal Form 4626).

Line 53 — Enter the federal item of preference for the carryover of appreciated property charitable deduction determined under IRC section 57(a)(6).

Line 54 — Enter the federal item of preference for intangible drilling costs as determined under IRC section 57(a)(2) (from federal Form 4626).

Line 56 — Enter the combined NOLD in the computation of combined ENI base from Form CT-3-A, line 13. Include only the amount permitted on line 13 of Form CT-3-A. See the instructions for line 13.

Line 58 — Enter your combined ANOLD. Attach a separate sheet with full details of the New York State alternative net operating losses (ANOLs) claimed.

The ANOLD is determined in the manner described in the instructions for computing the regular NOLD for line 13, except that the NOL for any year beginning after 1989 that is included in the ANOLD must be redetermined with the adjustments and tax preferences required to be used in computing the MTI for that year. (Note that the required addback 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 NOL. In determining the ANOL carrying into the ANOLD of any given year, the following rules apply:

- Losses from years when the taxpayer was not subject to Article 9-A are excluded.
- 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.
- ANOLs must be carried to the appropriate carry years, whether or not the tax on MTI is the highest tax for the particular carry year.
- ANOLs must be carried using the conventions of IRC section 172(b)(2).
- The carryback of the combined ANOL is limited to $10,000, as is the case with the regular tax combined NOLD.
- The federal election to forego carryback of the combined NOL applies to the related New York ANOL.
- 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 below).
- In applying the carry out rules, ANOLs must be carried out to tax years beginning in 1990 through 1993 even though no ANOLD was allowed in those years.
- For tax years beginning in 1994 only, 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.

- The group 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 60 — To determine the amount of combined alternative investment income on line 64, you must begin with the amount of investment income included in combined ENI (line 18) plus the apportioned combined NOLD from line 214.

Line 61 — Add those items of adjustment and tax preference derived from investment capital that are not included in ENI but are included in MTI (for example, appreciated property charitable deduction for contributed stock, treated as an item of tax preference).

Line 63 — Apportion any ANOLD claimed on line 58 between business income and investment income. Divide alternative investment income before deduction of any ANOL (line 62) by MTI before deduction of any ANOLD (line 57). Multiply the result by the ANOLD from line 58 and enter the amount on this line.

Line 64 — Combined alternative investment income is the sum of investment income and that portion of MTI that consists of income from investment capital and which was not included in ENI.

Line 71 — If your highest tax is based on the MTI base, you may be allowed a minimum tax credit in a future year. You should complete Form CT-38, Schedules A, B, and D to compute your minimum tax credit generated this year and carried forward to future years. This will be used to determine your minimum tax credit to be used against your tax on ENI in the future.

Computation of tax

Line 73 — Enter the tax computed on your combined capital base from line 40. Qualified New York manufacturers do not enter more than $350,000, and all other taxpayers do not enter more than $1,000,000. See line 117a instructions to see if the combined group qualifies as a qualified New York manufacturer.

A new small business corporation may claim an exemption from the tax on the capital base for its first two years as a taxpayer. See Tax Law section 210.1-c. If you are claiming this exemption, enter ***0*** on line 73 and mark the box indicating the year for which the exemption is taken.

Lines 74a and 74b – Fixed dollar minimum tax — Enter your New York receipts on line 74a.

To avoid an erroneous assessment or a delay in your refund, you must enter an amount on line 74a. If you do not have New York receipts, enter ***0.***

Line 74a – New York receipts — Include business 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 within New York State. These items can be found on federal Form 1120, *Income Section*. For a short period (a period of less than 12 months), annualize New York receipts by dividing by the number of months in the short period and multiplying the result by 12.

Under 20 NYCRR section 4-4.6(e), receipts from the sales of capital assets are not business receipts and are not included in New York receipts.

Line 74b – Parent's fixed dollar minimum tax —The parent's fixed dollar minimum tax is determined by the parent corporation's New York receipts. **See Table 7 of the *Tax rates schedule* 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* to determine the applicable fixed dollar minimum tax.

Line 75 — Enter the amount from line 71, 72, 73, or 74b, whichever is largest.

Small business taxpayer exception: if line 73 (tax on capital base) is larger than line 72 (tax on ENI base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 71, 72, or 74b. If the combined group qualifies as **both** a small business taxpayer **and** a qualified New York manufacturer, the combined group must use the small business taxpayer rate for purposes of the ENI base in order to be exempt from the tax on the capital base under the small business taxpayer exception.

Mark an ***X*** in the *Yes* box on line 116a if the combined group is claiming small business taxpayer status (do **not** mark an ***X*** in the *Yes* box on line 117b).

Line 78

Temporary deferral of certain tax credits — For tax years beginning on or after January 1, 2010, and before January 1, 2013, if the total amount of certain credits that you may use to reduce your tax or have refunded to you is greater than $2 million, the excess over $2 million must be deferred to, and used or refunded in, tax years beginning on or after January 1, 2013. For more information about the credit deferral, see Form CT-500*, Corporation Tax Credit Deferral*.

If you are subject to the credit deferral, you must complete all credit forms without regard to the deferral. However, the credit amount that is transferred to your tax return to be applied against your tax due or to be refunded to you may be reduced. Follow the instructions for Form CT-500 to determine the amounts to enter on your tax return.

Complete line 101a and enter the total amount of the tax credits that you are claiming. If you are claiming more than one tax credit, see Form CT-600-I, *Instructions for Form CT-600,* for the order of application under Article 9-A. **Attach** copies of all forms and schedules used.

The credit for servicing mortgages may reduce the tax to zero.

Line 81 — The combined franchise tax is the larger of line 79 or 80. However, if the total on line 79 is less than the total on line 80 because of the application of the credit for servicing mortgages (available only to mortgage bankers), the QEZE tax reduction credit of a taxpayer with a 100% zone allocation factor, or the credit for taxicabs and livery service vehicles accessible to persons with disabilities, enter the amount from line 79.

If the total on line 79 is less than the amount on line 80 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%, the EZ employment incentive credit, the Empire State film production credit, the Empire State film post-production credit, or the Empire State commercial production credit, enter the larger of line 74b or line 79.

Lines 83a and 83b — On line 83a, include the total fixed dollar minimum taxes of subsidiaries that computed a fixed dollar minimum tax of $1,000 or more on Form CT-3-A/C. On line 83b, include the total fixed dollar minimum taxes of subsidiaries that computed less than $1,000 fixed dollar minimum tax on Form CT-3-A/C. The total of lines 83a and 83b should equal the total amounts listed on the individual Forms CT-3-A/C (if the totals are not equal, attach a statement showing the computation).

If the credit for servicing mortgages reduced the combined tax on line 81 to zero, then the mortgage banking subsidiary that earned the credit may reduce its own fixed dollar minimum tax computed on Form CT-3-A/C by the amount of the remaining credit.

If any of the subsidiaries are claiming the QEZE tax reduction credit and has a zone allocation factor of 100%, mark an ***X*** above line 1a on the subsidiaries' Form CT-3-A/C.

For each subsidiary included on line 83b that is a foreign authorized corporation with a fixed dollar minimum tax of less than the required maintenance fee, you must increase your payment so that the tax of each of those foreign authorized corporations equals $300. While the amount of the difference between the fixed dollar minimum and the maintenance fee must be included on line A on page 1 of Form CT-3-A, it should not be included in your total combined tax due on line 84.

Line 85b — If the combined group did not file Form CT-5.3 and the amount of combined tax from lines 81 and 83a is more than $1,000, a mandatory first installment is required for the period following that covered by the return. If the combined tax from lines 81 and 83a exceeds $1,000 but is not greater than $100,000, multiply the amount on lines 81 and 83a by 25%. If the combined tax on lines 81 and 83a exceeds $100,000, multiply the amount on lines 81 and 83a by 40%.

Line 89 — Form CT-222, *Underpayment of Estimated Tax by a Corporation,* is filed by a corporation to inform the Tax Department that the corporation meets one of the exceptions to reduce or eliminate the underpayment of estimated tax penalty pursuant to Tax Law section 1085(d).

Lines 90 and 91 — If you are not filing this return and paying the tax due on time, you must pay interest and additional charges. (See *Penalties and interest*).

Lines 93a through 93e — If you want to contribute to *Return a Gift to Wildlife*, *Breast Cancer Research and Education Fund*, *Prostate Cancer*

Research, Detection, and Education Fund, *National September 11 Memorial & Museum at the World Trade Center*, *Volunteer Firefighting and Volunteer Emergency Recruitment and Retention Fund*, or all five, enter the amount(s) on the appropriate line(s). Include the total of these gifts on line 94 or 95. 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.

Line 93a — Return a Gift to Wildlife — Your contribution will benefit New York's fish, wildlife, and marine resources, and you can receive a free issue of *Conservationist* magazine. Call 1 800 678-6399 for your free sample issue. For more information about New York State's environmental conservation programs, go to *www.dec.ny.gov*. For information about *Conservationist*, go to *www.TheConservationist.org*.

Line 93b — Breast Cancer Research and Education Fund — Your contribution will support ground-breaking research and education in New York State to prevent, treat, and cure breast cancer. Help make breast cancer a disease of the past. For more information, go to *www.wadsworth.org/extramural/breastcancer*. New York State will match your contribution to the Breast Cancer Research and Education Fund, dollar for dollar.

Line 93c — Prostate Cancer Research, Detection, and Education Fund — Your contribution will support education projects and ground-breaking biomedical research studies in New York State to improve the detection and treatment of prostate cancer. New York State will match contributions to the Prostate Cancer Research, Detection, and Education Fund, dollar for dollar.

Line 93d — National September 11 Memorial & Museum at the World Trade Center *(9/11 Memorial)* — Your contribution will help create and sustain the National September 11 Memorial & Museum which will commemorate and honor the thousands of people who died in the attacks of September 11, 2001, and February 26, 1993. The Memorial will recognize the endurance of those who survived, the courage of those who risked their lives to save others, and the compassion of all who supported us in our darkest hours. Help New York State, the nation, and the world remember by making a contribution. For more information, go to *www.national911memorial.org*.

Line 93e — Volunteer Firefighting and Volunteer Emergency Services Recruitment and Retention Fund — Contributions to this fund will help recruit and retain the men and women who make up our volunteer fire and volunteer emergency medical services units. Volunteer firefighters and volunteer emergency services workers are crucial to the effective operation of a municipality and for the safety and well-being of the citizens of this state. Volunteer firefighters and volunteer emergency medical services workers provide invaluable benefits to their local communities. Despite their importance, the number of volunteer firefighters and volunteer emergency services workers has declined significantly over the past few years. For more information, go to *www.dhses.ny.gov/ofpc* or contact the State Office of Fire Prevention and Control at (518) 474-6746.

Line 95 – Unrequested refunds to be credited forward — If the group 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 96 through 99 — You may request an overpayment be credited 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.

Lines 100a and 100b — If you claim a refund of unused tax credits, enter the total amount on line 100a. If you claim a refund of unused tax credits to be credited as an overpayment to next year's return, enter the total amount on line 100b. Attach the appropriate credit forms. **Do not include these amounts** in the total credits claimed on lines 78, 101a, or 101b.

Summary of credits claimed on line 78 against current year's franchise tax

Mark an ***X*** in the box on Form CT-3-A directly above line 101a if the parent is claiming the QEZE tax reduction credit and has a 100% zone allocation factor.

Line 101a — Enter the amount of any tax credits that you claimed on line 78 against the current year's franchise tax. For other credits not specified, enter the amount of credits being claimed in the *Other credits* box and include this amount in the total. Do not include any amount of tax credit requested as a refund on line 100a or requested as a tax credit to be credited as an overpayment to next year's return on line 100b. 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, enter this negative amount, using a minus sign, in the applicable box.

Line 101b — Enter the amount of credit that is **refund eligible** claimed on line 78 against the current year's franchise tax. **Do not include any amount** actually requested as a refund on line 100a or requested as an overpayment credited to next year's tax return on line 100b.

Refer to the individual credit forms for refund eligibility.

Composition of prepayments included on line 87

Lines 102 through 108 — Include on line 107 only actual prepayments made by subsidiaries that were included on Form(s) CT-3-A/C.

If you need more space, write ***see attached*** in this section, and attach a separate sheet showing all relevant prepayment information. Transfer the total shown on the attached sheet to line 87.

Line 109 — 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.

Lines 114 and 115 – Interest paid to shareholders — Corporations that made interest payments, deducted in computing ENI, 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 failure to provide this information (section 1085(n)).

Line 116b – Small business taxpayer — If you used the small business tax rate on line 25, you must mark an ***X*** in the *Yes* box on line 116a and complete this line to show that your combined group qualifies for the lower tax rate. See instructions for line 25. If the combined group qualifies, provide the information requested in this section. Use the balance sheet amounts for stock and other paid-in capital. Use the worksheet below to determine the amount to enter.

	Number of shares	Amount
Par value stock.....		
No-par stock		
Contributions to capital and paid-in surplus.....		
Total capital contributions – enter on line 116b		

Line 117a — If the combined group is claiming qualified New York manufacturer status (see below) for purposes of a lower capital base tax limitation, mark an ***X*** in the *Yes* box.

Qualified New York manufacturer is a manufacturer (as described below) that has property in New York State that is principally used by the taxpayer in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, and either:

- the adjusted basis of the property for federal income tax purposes is at least $1 million at the close of the tax year; or
- all of its real and personal property is located in New York State.

A combined group qualifies as a manufacturer if during the tax year the combined group is *principally engaged* in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.

A combined group is *principally engaged* in manufacturing activities if during the tax year more than 50% of its gross receipts are derived from receipts for the sale of goods produced by these activities. Eliminate intercorporate receipts when computing a combined group's gross receipts.

A qualified New York manufacturer also includes a taxpayer that is a QETC as defined under Public Authorities Law section 3102-e(1)(c),

except that the $10 million limitation under section 3102-e(1)(c)(1) does not apply.

A combined group may be considered a QETC and meets the definition of a qualified New York manufacturer if all members of the group meet the definition of a QETC (as described in the previous sentence).

Line 117b — If the combined group is claiming qualified New York manufacturer status (see line 117a instructions) for purposes of a lower ENI tax rate, you must mark an ***X*** in the *Yes* box.

Note: The generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not manufacturing activities for purposes of the principally engaged test for the lower ENI tax rate.

Computation of combined business allocation percentage and combined alternative business allocation percentage for combined MTI base

Allocation on combined returns is made on the basis of combined accounts from which intercorporate items (including intercorporate receipts) are eliminated. If you have both business and investment income or capital, you must complete separate allocations. For information on the allocation of investment income, investment capital, or alternative investment income, see the instructions for lines 196 and 197 and line 199.

If you claim a combined BAP of 100%, you do not need to complete lines 118a through 195. If you claim a combined BAP less than 100%, use the appropriate lines (lines 118a through 195) to compute your allocation percentage for your business income, alternative business income and business capital.

Aviation corporations — Taxpayers principally engaged in the conduct of aviation (**except** air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers) complete lines 118a through 128 to compute a combined BAP and a combined alternative BAP. Use this percentage to allocate combined business income when determining both the combined ENI base and the combined MTI base, and to allocate combined business capital when computing the combined capital base.

Railroad and trucking corporations — Taxpayers principally engaged in the conduct of a railroad or trucking business complete lines 161 through 163 to compute a combined BAP and a combined alternative BAP. Use this percentage to allocate combined business income when determining both the combined ENI base and the combined MTI base, and to allocate combined business capital when computing the combined capital base.

Air freight forwarders acting as principal or like indirect air carriers Taxpayers principally engaged as air freight forwarders acting as principal or like indirect air carriers complete lines 129 through 160 to compute a combined BAP and lines 164 through 195 to compute a combined alternative BAP. Use the combined BAP to allocate combined business income when computing the combined ENI base, and to allocate combined business capital when computing the combined capital base. Use the combined alternative BAP to determine the combined MTI base.

Qualified foreign air carriers — Taxpayers that are qualified foreign air carriers (see *Foreign airlines*) complete lines 129 through 160 to compute a combined BAP and lines 164 through 195 to compute a combined alternative BAP. Use the combined BAP to allocate combined business income when computing the combined ENI base, and to allocate combined business capital when computing the combined capital base. Use the combined alternative BAP to determine the MTI base. Foreign airlines should consult TSB-M-94(2)C, before completing these schedules.

All Article 9-A taxpayers (**except** taxpayers principally engaged in the conduct of a railroad or trucking business, taxpayers principally engaged in the conduct of aviation, air freight forwarders acting as principal or like indirect air carriers, or qualified foreign air carriers) complete lines 142 through 154. The combined New York State receipts factor on line 154 is your combined BAP. Enter the amount from line 154 on line 160. Also complete lines 177 through 189. The combined New York State receipts factor on line 189 is your combined alternative BAP. Enter the amount from line 189 on line 195. Use the combined BAP to allocate combined business income when computing the combined ENI base, and to allocate combined business capital when computing the combined capital base. Use the alternative BAP to determine the combined MTI base.

Computation of combined business allocation percentage for aviation corporations

Taxpayers principally engaged in the conduct of aviation (**except** air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers) compute the combined BAP by averaging aircraft arrivals and departures, revenue tons handled, and operating revenue.

Lines 118a and 119 — 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.

Lines 121a and 122 — 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.

Lines 124a and 125 — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

Computation of combined business allocation percentage

The combined New York State receipts factor computed on line 154 is your combined BAP. However, **air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers** (see *Foreign airlines*) use a 50% weighted receipts factor, a 25% weighted property factor, and a 25% weighted payroll factor. Mark an ***X*** in the *Yes* box if any of the companies in the combined group are qualified foreign air carriers or are principally engaged in the activity of an air freight forwarder acting as principal or like indirect air carriers.

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 applies to corporations included in a combined return only if all of the corporations included in the return make the election.

Lines 129 through 160 — Do not include intercorporate rents or intercorporate business receipts in the receipts factor. Capitalized intercorporate rent expense must be eliminated from the property factor if the lessor and lessee are both part of the combined group.

Lines 129 through 141 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers complete lines 129 through 141.

Lines 129 and 130 — 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.

Lines 131 and 132 — 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 and repairs) and amortization of leasehold improvements that revert to the lessor at the end of the lease.

Lines 135 and 136 — 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.

Lines 137 and 138 — 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 142 and 143 — Enter receipts from the sale of tangible personal property. (See section 210.3(a)(2)(A).)

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

— Shipments are made to points in New York State; **or**

— 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, and 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, **or**

— a purchase invoice designating the destination location

Receipts of art merchants — 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.

Lines 144 and 145 — Enter receipts for services performed, based on where they are performed. Receipts from intercorporate sales and services performed should be eliminated from the receipts factor. Special rules apply to certain receipts.

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 — The 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, *Allocation of Receipts from services provided to a Regulated Investment Company (Mutual Fund) and Similar Investment Companies*.

Receipts earned by registered securities and commodities dealers —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 BAP (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 and includes over-the-counter (OTC) derivatives dealers as defined under regulations of the Securities Exchange Commission (SEC) (17 CFR 240.3b-12). The terms *securities* and *commodities* have the same meanings as the meanings in IRC sections 475 (c)(2) and 475(e)(2).

- **Brokerage commissions —** Brokerage commissions earned from the execution of securities or 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 —** 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 —** 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.
- **Income from principal transactions —** Gross income from principal transactions (that is, transactions where the registered broker or dealer is acting as principal for its own account, rather than as agent for the customer) are deemed to arise from a service performed in New York State if the production credits for these transactions are awarded to a New York State branch, office, or employee of the taxpayer. Registered broker dealers may elect to source the gross income from principal transactions based on the location of the customer to the principal transaction. If the election is made, gross income from principal transactions is deemed to arise from a service performed in New York State to the extent that the gross proceeds from the transactions are generated from sales of securities or commodities to customers within the state based upon the mailing addresses of those customers in the records of the taxpayer. The portion of principal transaction income of these brokers or dealers that is sourced to New York is based on a fraction, the numerator of which is the gross proceeds from principal transactions with New York customers, and the denominator of which is the gross proceeds from all principal transactions. Gross proceeds are determined without deduction for any cost incurred by the taxpayer to acquire the securities or commodities. For purposes of this calculation, the taxpayer must separately calculate gross income from principal transactions by type of security or commodity. For additional information, see TSB-M-02(5)C, *Summary of Corporation Tax Legislative Changes Enacted in 2002*, and TSB-M-00(5)C, *Summary of Corporation Tax Legislative Changes Taking Effect in 2001 and After.*
- **Fees from advisory services for the underwriting of securities** Fees earned from advisory service for a customer in connection with the underwriting of securities (when the customer is the entity contemplating the issuance of the securities or is issuing securities) or for the management of an underwriting of securities are deemed to arise from a service performed in New York State if the customer responsible for paying the fee is located in New York State.
- **Receipts from the primary spread for the underwriting of securities —** Receipts from the primary spread or selling concession from underwritten securities are deemed to arise from a service performed in New York State if production credits are awarded to a branch, office, or employee of the taxpayer in New York State as a result of the sale of underwritten securities.
- **Interest earned on loans to affiliates —** Interest earned on loans and advances made by a taxpayer to an affiliate with whom they are not required or permitted to file a combined return are deemed to arise from services in New York State if the principal place of business of the affiliate who is responsible for the payment of interest is located in New York State.
- **Fees for management or advisory services —** Fees earned from management or advisory services, including fees from advisory services for activities relating to mergers or acquisition activities, are deemed to arise from a service in New York State if the customer responsible for paying these fees is located in New York State.

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

Receipts for services by air freight forwarders — Receipts for services performed by air freight forwarders acting as principal or indirect air carriers are allocated to New York State as follows.

Receipts from:	Allocate receipts
— Pickup and delivery both made in NYS	100% to NYS
— Pickup only made in NYS	50% to NYS
— Delivery only made in NYS	50% to NYS

Receipts from the service of transporting or transmitting gas through pipes are allocated to New York State using the following formula:

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

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

Lines 146 and 147 — Enter receipts from all property that was rented to others. Receipts from rentals of real and tangible personal property situated in New York State are allocated to New York State. Rental receipts include all amounts received for the use of, or occupation of, property, whether or not such property is owned by the taxpayer. Gross receipts from real and tangible personal property that is subleased must be included in the receipts factor. Intercorporate rents must be eliminated.

Lines 148 and 149 — Enter receipts of royalties. Receipts of royalties from the use in New York State of patents and copyrights are allocated to New York State. Royalties include all amounts received by the taxpayer for the use of patents or copyrights, whether or not such patents or copyrights were issued to or are owned by the taxpayer. A patent or copyright is used in New York State to the extent that the activities thereunder are carried on in New York State.

Lines 150 and 151 — Enter all other business receipts, allocated where earned.

Line 154 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, the result on this line is your combined BAP and should be entered on line 160. Do not complete lines 155 through 159.

Lines 155 through 159 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers need to complete these lines.

Line 155 — Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*), include an additional receipts factor in the computation of the combined BAP. Enter the combined New York State receipts factor computed on line 154.

Lines 156 and 157 — Enter the total amount of all wages and other 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 in or outside New York State is not a general executive officer. Employees within New York 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. Intercorporate wages and salaries should be eliminated from the payroll factor.

Line 160 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, enter the combined New York State receipts factor as computed on line 154. The combined New York State receipts factor is your combined BAP.

Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*), divide line 159 by four. If the property, receipts, or payroll factor is missing, add the remaining factors and divide by the total number of factors present. If all factors but one are missing, the remaining factor is the combined BAP.

A factor is not missing merely because its numerator is zero, but a factor is missing if both the numerator and the denominator are zero.

Computation of combined business allocation percentage for trucking and railroad corporations

Trucking and railroad corporations must allocate on a mileage basis using this schedule. The mileage allocation is a percentage based on the number of revenue miles traveled within New York State compared to the total revenue miles traveled everywhere (nonrevenue miles, such as deadheading, should be excluded).

Computation of combined alternative business allocation percentage for combined MTI base

The combined New York State receipts factor computed on line 189 is your alternative BAP. However, **air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers** (see *Foreign airlines*), use a 50% weighted receipts factor, a 25% weighted property factor, and a 25% weighted payroll factor.

The factors are determined using the same rules that apply to lines 129 through 160, except that any factor used to determine the combined alternative BAP must be adjusted to reflect modifications made in the computation of combined MTI (lines 42 through 59), which may change an amount used in a particular factor. For example, a depreciation modification on line 43 would change the amounts used in computing the property factor. The combined alternative BAP is used to determine the combined MTI base only.

Lines 164 through 195

If you entered zeros on lines 43 through 54, your combined alternative BAP is your combined BAP. It is not necessary to complete lines 164 through 195. You may use the same percentage determined on line 160.

If you made entries on lines 43 through 54 that altered an item used to compute the property or receipts factors, you must make appropriate changes when determining the combined alternative BAP for allocating combined alternative business income on line 66 of this form and line 6 of Form CT-38.

Lines 164 through 176 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers complete lines 164 through 176.

Lines 177 through 180 — For information on allocation of receipts and services, see the instructions for lines 142 through 145 and 20 NYCRR section 4-4.2 that apply to the receipts factor of the BAP.

Line 189 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, the result on line 189 is your combined alternative BAP and must be entered on line 195. Do not complete lines 190 through 194.

Lines 190 through 194 — Only air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers need to complete these lines.

Line 190 — Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*), include an additional receipts factor in the computation of the combined alternative BAP. Enter the New York State receipts factor computed on line 189.

Line 195 — If you are **not** an air freight forwarder acting as principal or like indirect air carrier, or a qualified foreign air carrier, enter the combined New York State receipts factor as computed on line 189. The combined New York State receipts factor is your combined alternative BAP.

Air freight forwarders acting as principal or like indirect air carriers, and qualified foreign air carriers only (see *Foreign airlines*), divide line 189 by four. If the property, receipts, or payroll factor is missing, add the remaining factors and divide by the total number of factors present. If all factors but one are missing, the remaining factor is the combined BAP.

A factor is not missing merely because its numerator is zero, but a factor is missing if both the numerator and the denominator are zero.

Computation of combined investment capital and investment allocation percentage

Lines 196 and 197 — The amounts on Form CT-3-A, lines 196A, B, and D, and 197A, B, and D are obtained as shown below. The amounts on Form CT-3-A/B, line 196A, B, and D, and lines 197A, B, and D are obtained in the same manner as indicated in Column A below.

Line	Column A (Parent)	Column B (Total subsidiaries)
196A	from Form CT-3-A/ATT, line 3, column C	a) if only one subsidiary, from CT-3-A/ATT, line 3, column C, or b) if more than one subsidiary, from CT-3-A/B, line 196A, *Total* column
196B	from Form CT-3-A/ATT, line 3, column D	a) if only one subsidiary, from CT-3-A/ATT, line 3, column D, or b) if more than one subsidiary, from CT-3-A/B, line 196B, *Total* column
196D	from Form CT-3-A/ATT, line 3, column G	a) if only one subsidiary, from CT-3-A/ATT, line 3, column G, or b) if more than one subsidiary, from CT-3-A/B, line 196D, *Total* column
197A	from Form CT-3-A/ATT, line 4, column C	a) if only one subsidiary, from CT-3-A/ATT, line 4, column C, or b) if more than one subsidiary, from CT-3-A/B, line 197A, *Total* column
197B	from Form CT-3-A/ATT, line 4, column D	a) if only one subsidiary, from CT-3-A/ATT, line 4, column D, or b) if more than one subsidiary from CT-3-A/B, line 197B, *Total* column
197D	from Form CT-3-A/ATT, line 4, column G	a) if only one subsidiary, from CT-3-A/ATT, line 4, column G, or b) if more than one subsidiary, from CT-3-A/B, line 197D, *Total* column

Line 199 — The investment allocation percentage is computed without the addition of cash on line 200. Use the combined investment allocation percentage on this line to compute allocated combined investment income, allocated combined investment capital, and allocated combined alternative income on lines 20, 37, and 67, respectively.

Line 200 – Cash election — If you elect to treat cash as investment capital then the amounts entered on Form CT-3-A, line 200 are obtained as shown below. The amounts on Form CT-3-A/B, line 200, are obtained in the same manner as indicated in Column A below.

Column A (Parent)	Column B (Total subsidiaries)
from CT-3-A/ATT, line 6, column E	a) if only one subsidiary, from CT-3-A/ATT, line 6, column E, or b) if more than one subsidiary, from CT-3-A/B, line 200, *Total* column

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.

If one member of the combined group has investment capital, then all the members of the combined group may elect to treat cash as investment capital. All corporations in the combined group must make the same election.

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 also *Instruments deemed cash*.

Cash cannot be split between business capital and investment capital. It must be treated as all business capital or all investment capital.

Lines 202 through 215 – Computation of combined investment income for allocation

Complete this section if you are allocating part of the combined ENI by using the investment allocation percentage from line 199. *Investment income* is income from investment capital to the extent it is included in ENI, less any deductions allowable in computing ENI that are attributable to investment capital or investment income, and less a portion of any NOLD allowable in computing ENI (see 20 NYCRR section 4-8.3).

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 ENI. Professional service corporations (Article 15 or 15-A of the Business Corporation Law) must use an investment allocation percentage of 100% (section 210.3(b)(3)).

Line 202 — Enter interest income received from investment capital listed on Form CT-3-A/ATT, Schedule A, Section 1, to the extent included in ENI.

Line 203 — Enter interest income received from bank accounts (cash) if included on line 200. Include interest income received from a savings account, checking account, time deposit account (**other than** 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 199 is zero. In that case, this interest will be allocated by the BAP and included as part of business income.

Line 204 — Enter interest income from debt instruments deemed cash (**including** certificates of deposit), if included on line 200.

Line 205 — Enter dividend income received from investment capital listed on Form CT-3-A/ATT, Schedule A, Section 2, or dividend income received from money market mutual funds included as cash on line 200. To the extent included in ENI, include the following:

— 50% of dividends received from money market mutual funds included as cash on line 200;

— 50% of dividends received from nonsubsidiary stock that meets the holding requirements of IRC section 246(c);

— 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). See TSB-A-87(23.1)C, *American International Group, Inc.*, for additional information;

— 100% of dividends received from nonsubsidiary stock that did not meet the holding requirements of IRC section 246(c).

Line 206 — Enter any net capital gains or losses from the sale and exchange of securities constituting investment capital that were used in computing FTI.

Line 207 — 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 209 and 210 — Complete lines 209 and 210 if you have combined investment capital includable on Form CT-3-A, line 201, column E (otherwise, enter ***0*** on lines 209 and 210). The term *combined investment capital* as used in these instructions for lines 209 through 212 means stocks, bonds, and other securities other than those issued by a corporation included in this return that constitute investment capital.

Line 209 — Enter the amount of **interest** deductions allowable in the computation of combined ENI (that is, includable in the amount on *Line 211 Worksheet,* line E) that are **directly** attributable to combined investment capital or to income, losses, or gains from combined investment capital.

Line 210 — Enter the amount of **noninterest** deductions allowed in the computation of ENI (that is, includable in the amount on *Line 212 Worksheet,* line E) that are **directly** attributable to combined investment capital or to income, losses, or gains from combined investment capital.

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

— interest on debt incurred to buy combined 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 combined investment capital

— investment counsel fees

— custodian fees

— the cost of insurance and fidelity bonds covering combined investment capital

— expenses for legal advice relating to the acquisition of combined investment capital

Do not include on lines 209 or 210 interest deductions or noninterest deductions that are **directly** attributable to the following:

— combined subsidiary capital (or to income, losses, or gains from combined subsidiary capital); see Form CT-3-A, lines 4a and 4b; or

— combined business capital (or to income, losses, or gains from combined 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, a corporation, or a combined group are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division, corporation, or combined group may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Lines 211 and 212 — Complete lines 211 and 212 if you have combined investment capital includable on Form CT-3-A, line 201, column E. Otherwise, enter ***0*** on lines 211 and 212.

Line 211 — Enter the amount of **interest** deductions that are **indirectly** attributable to combined investment capital, or to income, gains, or losses from combined investment capital, from *Line 211 Worksheet,* line N.

If you completed the *Line 5a Worksheet* in these instructions, skip lines A through I on the *Line 211 Worksheet* and enter on line J the amount from the *Line 5a Worksheet,* line J.

Line 212 — Enter the amount of **noninterest** deductions that are **indirectly** attributable to combined investment capital, or to income, gains, or losses from investment capital, from *Line 212 Worksheet,* line R.

If you completed *Line 5b Worksheet* in these instructions, skip lines A through I on the *Line 212 Worksheet* and enter on line J the amount from *Line 5b Worksheet,* line J.

Line 214 — Apportion any New York NOLD claimed on Form CT-3-A, line 13, between business income and investment income. Divide investment income before deduction of any NOL by ENI before deduction of any NOL. Multiply the result by the NOLD. Enter that result on this line.

Lines 216 through 219 – Computation of income from combined subsidiary capital

A subsidiary is a corporation (except a DISC) of which the taxpayer owns more than 50% of the total number of shares of the corporation's voting stock, issued and outstanding. 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 structure consisting of several tiers and/or of corporations and/or partnerships.

Enter interest, dividends, and capital gains attributable to subsidiary capital. Do not include interest, dividends and capital gains from any subsidiary included in this combined return.

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). Do not include foreign dividend gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

Lines 220 through 223 – Computation and allocation of combined subsidiary capital base and tax

The amounts on Form CT-3-A, lines 220 through 223, are obtained as shown below. The amounts on Form CT-3-A/B, lines 220 through 223, are obtained in the same manner as indicated in Column A below.

Line	Column A (Parent)	Column B (Total subsidiaries)
220	from CT-3-A/ATT, line 8, column C	a) if only one subsidiary, from CT-3-A/ATT, line 8, column C, or b) if more than one subsidiary, from CT-3-A/B, line 220, *Total* column
221	from CT-3-A/ATT, line 8, column D	a) if only one subsidiary, from CT-3-A/ATT, line 8, column D, or b) if more than one subsidiary, from CT-3-A/B, line 221, Total column
222	from CT-3-A/ATT, line 9, column E	a) if only one subsidiary, from CT-3-A/ATT, line 9, column E, or b) if more than one subsidiary, from CT-3-A/B, line 222, *Total* column
223	from CT-3-A/ATT, line 12, column G	a) if only one subsidiary, from CT-3-A/ATT, line 12, column G, or b) if more than one subsidiary, from CT-3-A/B, line 223, *Total* column

Line instructions for Form CT-3-A/ATT

This form must be filed by any member of the combined group, including the parent, that has investment capital or subsidiary capital.

Schedule A — Investment capital information

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 Tax Law section 208.1.
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 foregoings.
3. Qualifying corporate debt instruments (see *Section 1 — Corporate and governmental debt instruments*).
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*), 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 an 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:

1. Stock issued by the taxpayer.
2. Stocks, bonds, or other securities constituting subsidiary capital. Stock of a subsidiary is not subsidiary capital in the case of a target corporation in certain corporate acquisitions.

   Debt instruments issued by a subsidiary are also not subsidiary capital if the subsidiary claimed and deducted interest on the instruments for purposes of Tax Law Articles 9-A, 32, or 33. See Tax Law section 208.4.
3. Securities of an individual, partnership, trust, or other nongovernmental entity that is not a corporation pursuant to Tax Law section 208.1 (such as Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) pass-through certificates).
4. Stocks, bonds, and other securities of a DISC or any indebtedness from a DISC.
5. Regular and residual interests in a real estate mortgage investment conduit (REMIC) as defined in IRC section 860D.
6. Futures and forward contracts.
7. Stocks, bonds, and other securities held by the taxpayer for sale to customers in the regular course of business.

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

Schedule A categorizes investment capital into two sections:

Section 1 – *Corporate and governmental debt instruments*

Section 2 – *Corporate stock, stock rights, stock warrants, and stock options*

Section 1 — Corporate and governmental debt instruments

Column A — List investments in governmental and qualifying corporate debt instruments (including certificates of deposit), 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*.

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 that 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, if 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, on a separate basis, 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 do 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; or

— 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*).

Cash, under certain circumstances, may be treated as investment capital. See instructions for Form CT-3-A/ATT, line 6.

Examples

1. *A calendar year taxpayer owns a municipal bond with a maturity date of 1/31/11. As of 7/30/10, 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. The bond should be included in Part 1, but in computing the average value of the bond and attributable liabilities, the taxpayer should be treated as no longer owning the bond on any date on or after 7/30/10. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after 7/29/10.*
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. The renewal of the first four-month debt instrument is treated 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 1/2/11. The taxpayer also owns corporate stock, but has no cash at any point during the 2010 tax year. The bond is deemed to be cash as of 7/1/10, the date six months and one day prior to maturity. The fair market value of the bond is $95,000 on 3/31/10, $90,000 on 6/30/10, $98,000 on 9/30/10 and $100,000 on 12/31/10. The bond should be listed in Section 1, column A, because it qualifies as investment capital. Its average value, to be stated in column C of Section 1, is computed 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 9/30 and 12/31. The average value of the bond insofar as it is deemed to be cash is computed 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 3/31 or 6/30. The figures $98,000 and $100,000 represent the fact that the taxpayer is deemed to own cash in those amounts on 9/30 and 12/31, respectively. The taxpayer had liabilities attributable to the bond. The amount of the liabilities should be treated in conformity with the above treatment of the value of the bond itself. Thus, the liabilities, which were in the amount of $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 1, 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 6, column C, and $3,500 on line 6, column D. If the cash election is not made, the $49,500, reduced by $3,500, would constitute business capital.*
4. *A taxpayer purchased a debt instrument, includable in Section 1, with a maturity date of 12/15/10. Any such investment will be 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 6/14/10.*

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 GAAP. (See Example 3 under *Instruments deemed cash*.)

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 under *Instruments deemed cash*.)

Use the *Schedule A, Column D Worksheet* 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 A, column D worksheet, and the amount of liabilities directly attributable to that asset.

Schedule A, Column D Worksheet

Liabilities indirectly attributable to a particular asset

A. Total liabilities *(enter amount from Form CT-3-A, or Form CT-3-A/B, line 31, appropriate column)*	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-A/ATT, line 7, column C)*	G.	
H. Average value of adjusted total assets *(enter amount from Form CT-3-A or Form CT-3-A/B, line 30, appropriate column)*	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 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 1 is 0%.

Issuer's allocation percentages are available on the Tax Department's Web site and from many online and printed tax services. You may also obtain up to three issuer's allocation percentages by calling (see *Need help?*).

Section 2 — 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 under *Schedule A - Investment capital information*

— units in a publicly traded partnership treated as a corporation for purposes of Tax Law Article 9-A

— 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 Section 1, columns C through G.

Section 3 — Computation of investment capital

Line 6 – 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.

If one member of the combined group has investment capital, then all the members of the combined group may elect to treat cash as investment capital. All corporations in the combined group must make the same election.

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. Also see *Instruments deemed cash*.

Cash cannot be split between business capital and investment capital. It must be treated as all business capital or all investment capital.

Schedule B — Computation and allocation of subsidiary capital base

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, less liabilities directly or indirectly attributable to subsidiary capital.

When computing the amount of indebtedness owed to the taxpayer by its subsidiaries, each subsidiary should be considered separately. Loans and advances from the parent to the subsidiary may be offset by loans and advances from the same subsidiary to the parent, but 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. Each item of subsidiary capital must be reduced by any of the parent's liabilities that are directly or indirectly attributable to that item of subsidiary capital.

Do not include stocks issued by, and any indebtedness from, a QSSS in the computation of subsidiary capital if the QSSS is included in the parent's return.

Do not include any subsidiaries that are part of this combined group when computing your subsidiary capital base.

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. 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 GAAP.

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 B, Column D Worksheet* 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.

Schedule B, Column D Worksheet

Liabilities indirectly attributable to a particular asset

A. Total liabilities *(enter amount from Form CT-3-A or Form CT-3-A/B, line 31, appropriate column)*	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-A/ATT, line 8, column C)*	G.	
H. Average value of adjusted total assets *(enter amount from Form CT-3-A or Form CT-3-A/B, line 30, appropriate column)*	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 instructions for Form CT-3-A/ATT, Schedule A, Section 1, column F.

Line 11 — Deduct 100% of the value of subsidiary capital for subsidiaries subject to tax under Tax Law Article 32 (banking corporations), Article 33 (insurance corporations), and Article 9, section 186. Attach a breakdown of subsidiaries for this deduction.

Schedule C — Qualified public utilities and transferees, qualified power producers, and qualified pipeline corporations

This schedule is only required to be filled out by qualified public utilities and transferees, power producers, and pipeline corporations previously taxable under Article 9. This schedule allows these taxpayers to make the necessary adjustments to ENI required by New York State Tax Law sections 208.9(c-2) and 208.9(c-3).

General — Qualified public utility corporations must adjust ENI to reflect modifications for depreciation, and federal gain or loss on transition property, and for regulatory assets pursuant to Tax Law section 208.9(c-2). Complete Part 1.

Transferees (whether or not qualified public utilities) of transition property from a qualified public utility in a tax-free transaction must adjust ENI to reflect modifications to federal gain or loss subsequently recognized on the transition property, pursuant to Tax Law section 208.9(c-2)(6)(B)(iv). Complete lines 20, 21, and 23.

Qualified power producers and qualified pipeline corporations must adjust ENI to reflect modifications for depreciation on transition property pursuant to Tax Law section 208.9(c-3). Complete Part 2.

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 Tax Law Article 9, section 186, 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 Tax Law Article 9, section 186, 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 Tax Law, Article 9, sections 183 and 184, for the tax year ending on December 31, 1999, because it was principally engaged in the business of pipeline transmission.

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 lines 20 and 21, for a basis adjustment that may inure from transition property.)

Book basis of transition property is the cost of the property less the accumulated depreciation on the property determined on the taxpayer's books and records in accordance with GAAP.

New York basis of transition property is the cost of the property less the aggregate of the New York depreciation deductions allowed on the property under Tax Law Article 9-A. This aggregate is the sum of the amounts on line 17 with respect to the property for all tax years ending after 1999.

Part 1 — Adjustments for qualified public utilities and transferees

Complete this part if you are a qualified public utility. Use lines 13 through 23 to compute the adjustments for combined ENI.

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 20, 21, and 23 to compute the adjustments for ENI.

Other additions

Line 13 — Transition property – federal depreciation — Enter the amount deducted on your federal return for depreciation of transition property. See line 17 instructions to compute the New York depreciation deduction. *Transition property* is defined in Schedule C, *General* instructions.

Line 14 — Transition property – federal loss — If transition property is sold or otherwise disposed of at a loss for federal income tax purposes, the amount of the loss must be recalculated 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 18 instructions to recalculate the loss for New York.

Line 15 — 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), the amount of the gain must be recalculated for New York using New York basis in place of federal tax basis for the property. However, such recalculation may 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 19 instructions to subtract the federal gain.

Other subtractions

Line 17 — Transition property – New York depreciation — In place of the federal depreciation deduction entered on line 13, enter the amount of depreciation expense on transition property shown on your books and records for the tax year and determined in accordance with GAAP.

In the case of a financing arrangement when, 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 18 — Transition property – New York loss — In place of the federal loss entered on line 14, compute the New York loss on the sale or other disposition of transition property by using book basis instead of federal tax basis.

Line 19 — 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 15 to recalculate the gain for New York.

Lines 20 and 21 — 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, in order to reduce the gain or increase the loss in a subsequent recognition transaction involving the property that was formerly transition property or the replacement property.

Line 20 — 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 the former transition property or 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 21 — Federal loss — If the former transition or 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 replacement property sold at a federal loss this year.

Line 22 — 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 if (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 expenditure, and if (C) the revenue is recognized for federal income tax purposes in the tax year.

Part 2 — 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 24 and 25 to compute the adjustments for ENI.

Other additions

Line 24 — Enter the amount deducted on your federal return for depreciation of transition property. *Transition property* is defined in Schedule C, *General* instructions.

Other subtractions

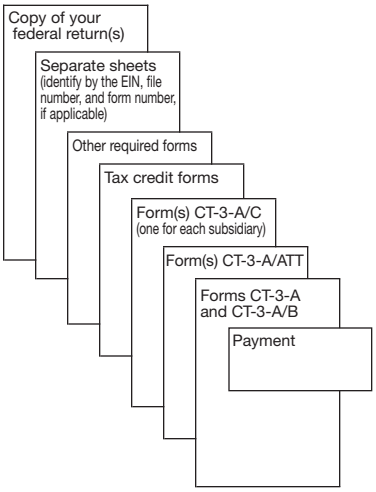
Line 25 — In place of the federal depreciation deduction entered on line 24, compute a New York depreciation deduction by treating all of your transition property as a single asset placed in service on the first day of the federal tax year that ends in 2000. The *New York basis for depreciation* is the 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 GAAP.

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.

When preparing and mailing your corporation franchise tax return, be sure to:

- Include your employer identification number (EIN) and file number (if applicable) on each form filed.
- Include the appropriate name, identification number and file number on each Form CT-3-A/C attached; and use the name, identification number, and file number of the taxpayer that is designated as the parent corporation on Form CT-3-A.
- Have the appropriate individuals sign the return.
- Make your check or money order payable to: ***New York State Corporation Tax.***
- Attach a complete copy of your federal return(s).
- Attach Form CT-3-A/ATT and all other required forms.
- If you are using tax software, attach a completed copy of Form CT-2, *Corporation Tax Return Summary*.
- Assemble your return and attachments this way:



For mailing address information, see *Where to file*.

Line 5a Worksheet

Interest deductions indirectly attributable to combined subsidiary capital

A. Enter federal interest deduction shown on federal Form 1120 ..... A. _____

B. Enter amounts of interest deductions included on line A that are required to be added back to FTI in computing combined ENI (other than the amounts on Form CT-3-A, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3-A, line 15.

Enter the Form CT-3-A 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 are required to be subtracted from FTI in computing combined ENI (for example, the interest deductions taken in computing the amount on Form CT-3-A, line 2, or amounts related to foreign source income not shown on federal Form 1120).

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

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

E. Total New York interest deductions included in combined ENI *(add lines C and D)* ..... E. _____

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

G. Enter any interest deductions directly attributable to combined investment capital included on Form CT-3-A, line 209 ..... G. _____

H. Enter any interest deduction directly attributable to combined 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-A, line 220 (reduced by any portion of such amount that is required to be eliminated in column D) ..... K. _____

L. Enter the amount from Form CT-3-A, line 30 (reduced by any portion of such amount that is required to be eliminated in column D) ..... L. _____

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

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

See *Worksheet Line 5b*, then continue with line 6 instructions.

Line 211 Worksheet

Interest deductions indirectly attributable to combined investment capital

A. Enter federal interest deduction shown on federal Form 1120 ..... A. _____

B. Enter amounts of interest deductions included on line A that are required to be added back to FTI in computing combined ENI (other than the amount on Form CT-3-A, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3-A, line 15.
Enter the Form CT-3-A 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 are required to be subtracted from FTI in computing combined ENI (for example, the interest deductions taken in computing the amount on Form CT-3-A, line 2, or amounts related to foreign source income not shown on federal Form 1120).
Enter the Form CT-3-A line numbers and amounts below.

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

E. Total New York interest deductions included in combined ENI *(add lines C and D)* ..... E. _____

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

G. Enter any interest deductions directly attributable to combined investment capital from Form CT-3-A, line 209 ..... G. _____

H. Enter any interest deductions directly attributable to combined 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-A/ATT, line 7, column C, (reduced by any portion of such amount required to be eliminated on Form CT-3-A, lines 196A and 197A, column D) ..... K. _____

L. Enter amount from Form CT-3-A, line 30 (reduced by any portion of such amount which is required to be eliminated in column D) ..... L. _____

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

N. Amount of interest deductions indirectly attributable to combined investment capital *(multiply line J by line M; enter this amount on line 211)* ..... N. _____

See *Worksheet Line 212*, then continue with line 213.

Line 5b Worksheet

Noninterest deductions indirectly attributable to combined subsidiary 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 are required to be added back to FTI in computing combined ENI (other than the amounts on Form CT-3-A, lines 4b and 5b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts are subtracted in computing ENI or combined ENI for prior tax years that began on or after January 1, 1987

Enter the Form CT-3-A 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 are required to be subtracted from FTI in computing combined ENI

- The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to IRC section 280C (Tax Law section 208.9(a)(7)).
- Depreciation deductions for **decoupled** property (Tax Law section 208.9(a)(11) and (12)).
- Deductions arising from **decoupling** from federal safe harbor lease provisions (Tax Law section 208.9(a)(10)).
- The noninterest deductions taken in computing the amount on Form CT-3-A, line 2.
- Depreciation deduction for **decoupled** property (Tax Law sections 208.9(o) and 208.9(p)).
- Related member royalty payment deduction (Tax Law section 208.9(o)).
- SUV recapture (Tax Law section 208.9(a)(16)).
- Deduction for qualified public utilities and transferees (Tax Law section 208.9(c-2)).
- Deduction for qualified power producers and qualified pipeline corporations (Tax Law section 208.9(c-3)).
- Deduction for sale of QETI (Tax Law section 208.9(l)).
- Deduction for eligible settlement fund or eligible grantor trust (Tax Law section 13).

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

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

E. Total New York noninterest deduction included in combined ENI *(add lines C and D)* ..... E. _____

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

G. Enter noninterest deductions directly attributable to combined investment capital, from Form CT-3-A, line 210 ..... G. _____

H. Enter noninterest deductions directly attributable to combined 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 from combined subsidiary capital. *Gross income from combined subsidiary capital* is that portion of total gross income, consisting of dividends, interest, and gains (but not losses) from combined subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-A, line 219, and add back any losses used to compute the amount of capital gains from combined subsidiary capital on line 218. These amounts should be reduced by any portion of such amounts required to be eliminated as intercorporate transactions. Also include any amount of foreign dividend gross up from subsidiary capital that was included on Form CT-3-A, line 12 ..... 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 ENI by reason of Tax Law section 208.9(c) (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. Combined gross income should be adjusted for any intercorporate transactions. ..... L. _____

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

N. Enter amount from Form CT-3-A, line 220, column C (reduced by any portion of such amount required to be eliminated in column D) ..... N. _____

O. Enter amount from Form CT-3-A, line 30 (reduced by any portion of such amount required to be eliminated in column D) ..... O. _____

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

Q. Combined 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 two .... a. _____ %
b. Enter percentage from line P ..... b. _____ %
c. Total *(add lines a and b)* ..... c. _____ %
d. Subsidiary capital percentage *(divide line c by three)* ..... Q. _____ %

R. Amount of noninterest deductions indirectly attributable to combined 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 line 5b.)* ..... R. _____

After completing this worksheet, continue with line 6 instructions.

Line 212 Worksheet

Noninterest deductions indirectly attributable to combined 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 are required to be added back to FTI in computing ENI (other than the amounts on Form CT-3-A, lines 4b and 5b). Include the New York excess depreciation amount described in Tax Law section 208.9(b)(11) to the extent that such amounts were subtracted in computing ENI or combined ENI for prior tax years that began on or after January 1, 1987.

Enter the Form CT-3-A 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 that are required to be subtracted from FTI in computing combined ENI.

— The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to IRC section 280C (Tax Law section 208.9(a)(7)).
— Depreciation deductions for **decoupled** property (Tax Law section 208.9(a)(11) and (12)).
— Deductions arising from **decoupling** from federal safe harbor lease provisions (Tax Law section 208.9(a)(10)).
— The noninterest deductions taken in computing the amount on Form CT-3-A, line 2.
— Depreciation deduction for **decoupled** property (Tax Law sections 208.9(o) and 208.9(p)).
— Related member royalty payment deduction (Tax Law section 208.9(o)).
— SUV recapture (Tax Law section 208.9(a)(16)).
— Deduction for qualified public utilities and transferees (Tax Law section 208.9(c-2)).
— Deduction for qualified power producers and qualified pipelines corporation (Tax Law section 208.9(c-3)).
— Deduction for sale of qualified emerging technology investment (QETI) (Tax Law section 208.9(l)).
— Deduction for eligible settlement fund or eligible grantor trust (Tax Law section 13).

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

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

E. Total New York noninterest deductions included in combined ENI *(add lines C and D)*..... E. _____

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

G. Enter noninterest deductions directly attributable to combined investment capital, from Form CT-3-A, line 210..... G. _____

H. Enter noninterest deductions directly attributable to combined 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 combined investment capital. *Gross income from combined 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 dividends, interest, and gains reported on Form CT-3-A, line 208, and add back any dividends excluded on line 11 and any losses used to compute the amount of capital gains from combined investment capital on line 206. These amounts should be reduced by any portion of such amounts required to be eliminated as intercorporate transactions..... 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 such section 61 that are included in the computation of ENI by reason of Tax Law section 208.9(c) (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. Combined gross income should be adjusted for any intercorporate transactions..... L. _____

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

N. Enter amount from Form CT-3-A/ATT, line 7, column C, reduced by any portion of such amount required to be eliminated on Form CT-3-A, lines 196A and 197A, column D ..... N. _____

O. Enter amount from Form CT-3-A, line 30 (reduced by any portion of such amount which is required to be eliminated in column D)..... O. _____

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

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

a. Enter percentage from line M _____ %; multiply by two..... a. _____ %
b. Enter percentage from line P ..... b. _____ %
c. Total *(add lines a and b)* ..... c. _____ %
d. Combined investment capital percentage *(divide line c by three)* ..... Q. _____ %

R. Amount of noninterest deductions indirectly attributable to combined investment 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 line 212.)* ..... R. _____

After completing this worksheet, continue with line 213.