Department of Taxation and Finance

Instructions for Form MTA-305

Employer's Quarterly Metropolitan Commuter Transportation Mobility Tax Return

MTA-305-I
(7/25)

General information

The metropolitan commuter transportation mobility tax (MCTMT) is imposed on certain employers engaging in business within the Metropolitan Commuter Transportation District (MCTD).

The MCTD consists of New York City (the counties of New York [Manhattan], Bronx, Kings [Brooklyn], Queens, and Richmond [Staten Island]) as well as the counties of Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester.

For purposes of the MCTMT, the MCTD is divided into two zones.

- Zone 1 includes the counties of:
  - New York (Manhattan)
  - Bronx
  - Kings (Brooklyn)
  - Queens
  - Richmond (Staten Island)
- Zone 2 includes the counties of:
  - Rockland
  - Nassau
  - Suffolk
  - Orange
  - Putnam
  - Dutchess
  - Westchester

The MCTMT is imposed on an employer's *payroll expense* for all *covered employees.* The rate that applies is based on the amount of an employer's payroll expense in either zone for the quarter. An employer may not deduct any amount of MCTMT from the wages or compensation of an employee.

In addition, the MCTMT is imposed on individuals with self-employment income allocated to the MCTD if the individual's net earnings are more than $50,000 in either zone. For more information, see our website.

Web File – Employers can electronically file their quarterly MCTMT returns and submit payments via ACH debit on our website. Benefits of this filing method include secure online filing as well as immediate data transmittal and confirmation.

Special filing rules for certain taxpayers

A **Professional Employer Organization** (PEO) (as defined in the Labor Law § 916) must calculate the MCTMT due based separately on the payroll expense of each of its clients and its own payroll expense. See our website for additional information on how to calculate the MCTMT, and filing and payment requirements.

A **common pay agent** authorized by the Tax Department to file and pay withholding tax on behalf of an employer may also report and pay the employer's MCTMT as an agent. This appointment is the equivalent to the Internal Revenue Service (IRS) appointment using Form 2678, *Employer/Payer Appointment of Agent,* authorized under Internal Revenue Code (IRC) § 3504. A common pay agent must calculate the MCTMT due based separately on the payroll expense of each of its clients and its own payroll expense. See our website for additional information on how to calculate the MCTMT, and filing and payment requirements.

START-UP NY business – If you are an approved business located within a tax-free NY area you must visit our website for important information on how to calculate and file your MCTMT.

Who must file

Employers must file quarterly MCTMT returns if they are required to withhold New York State income tax from wages paid to employees and their payroll expense for all covered employees in the MCTD exceeds $312,500 in any calendar quarter.

Employers not subject to MCTMT

The following employers are not subject to the MCTMT:

- any agency or instrumentality of the United States (as specifically stated by a federal law or a decision in a federal court case);
- the United Nations;
- an interstate agency or public corporation created pursuant to an agreement or compact with another state or Canada;
- any eligible educational institution, including a public school district, Board of Cooperative Education Services (BOCES), a public elementary or secondary school, a school (approved pursuant to Article 85 or 89 of the Education Law) that serves school-age students with disabilities, or a nonpublic elementary or secondary school that provides instruction in grade one or above and all public library systems [as defined in the Education Law § 272(1)] and all public and free association libraries [as defined in the Education Law § 253(2), beginning with the first quarter of 2016];
- a federally chartered credit union;
- household employers on wages paid to household employees; or
- any local government employer [as defined in Tax Law § 800(f)] whose covered employees are within MCTD Zone 2, for quarters beginning on or after July 1, 2025.

Employers who are liable for MCTMT for one quarter and not liable for the next quarter are not required to file a return showing no tax due. However, if the employer is subject to the MCTMT for a subsequent quarter, the employer must file a quarterly return and pay the tax due. Employers who have made any MCTMT payments during the quarter or have an MCTMT overpayment that is carried over from a previous quarter must file a quarterly return to request a refund (or request a credit to the next quarter if you anticipate owing MCTMT for that quarter).

When to file

Employers (PrompTax filers, see below) subject to the MCTMT must file and pay by the last day of the month following the end of the calendar quarter as follows:

Quarter	Due date
January 1 through March 31	April 30
April 1 through June 30	July 31
July 1 through September 30	October 31
October 1 through December 31	January 31

When the due date falls on a Saturday, Sunday or legal holiday, the employer may file on the next business day. There are no extensions of time allowed for employers to file MCTMT returns.

Employers participating in the PrompTax program – In addition to the quarterly returns described above, employers

who are required to remit withholding taxes through the Tax Department's PrompTax program are required to pay MCTMT on the same date their withholding tax payments are made. Employers who voluntarily remit withholding taxes through the Tax Department's PrompTax program may also volunteer to remit MCTMT on the same date their withholding tax payments are made. Visit our website for information on the PrompTax program and requirements for MCTMT PrompTax filers. Also see TSB-M-12(1)MCTMT, *Legislative Amendments to the Metropolitan Commuter Transportation Mobility Tax.*

Amending Form MTA-305 information

To amend a previously filed Form MTA-305 for the same period, an employer must complete a new Form MTA-305 and mark an ***X*** in the *Amended return* box. The employer must complete the entire return, correct the appropriate lines with the new information, and recalculate their MCTMT liability.

Federal audit changes – If the IRS makes a change to an amount the employer must include in the payroll expense subject to MCTMT, the employer must report this change to the New York State Tax Department within 90 days after the final determination of the change by filing an amended Form MTA-305.

Penalties and interest

MCTMT quarterly returns filed and tax paid after the due date are subject to penalties and interest. These penalties may include the: late filing penalty, late payment penalty, failure to file penalty, and others.

Interest will be charged on any MCTMT that is not remitted on or before the payment due date.

Specific instructions for employers

To calculate your MCTMT, you must determine your payroll expense for the quarter for all covered employees.

Determining if an employee is a covered employee

When determining if an employer must file the MCTMT quarterly return, the MCTD includes both Zone 1 and Zone 2 counties.

When determining the payroll expense attributable to Zone 1 and Zone 2, replace references to the MCTD with Zone 1 and Zone 2, respectively.

A *covered employee* means an employee (including a statutory employee) whose services are allocated to the MCTD.

To determine if an employee's services are allocated to the MCTD, apply the following tests in the order presented below. If any test results in the allocation of an employee's services to the MCTD, the employee is a covered employee and no further test need be applied. Otherwise proceed to the next succeeding test.

1) **Localization test –** An employee's services are allocated to the MCTD if those services are: 1) performed entirely within the MCTD or 2) performed both inside and outside of the MCTD, but the services performed outside the MCTD are incidental to the employee's services performed within the MCTD (for example, the services are temporary or transitory in nature, or consist of isolated transactions).
2) **Base of operations test –** An employee's services are allocated to the MCTD if the employee's base of operations is in the MCTD. This test cannot be applied if the employee has no base of operations, or has more than one base of operations. *Base of operations* means the place where the employee is not continuously located, but from which the employee customarily starts out to perform their functions within or outside the MCTD. The *base of operations* is where the employee customarily returns in order to receive instructions from their employer, communications from other persons, or to replenish stock and materials, repair equipment used, or to perform any other function necessary in the exercise of their trade or profession.
3) **Place of direction and control test –** An employee's services are allocated to the MCTD if the employee's direction and control emanates only from within the MCTD, and the employee performs some services within the MCTD. *Direction and control* means the place from which the employer directs and controls the activities of the employees. It is not necessarily the location of the principal office, but rather the point from which basic authority over the supervision of services emanates (for example, the place where job assignments are made or instructions are issued, or both, the place where personnel and payroll records are maintained).
4) **Residence test –** If none of the preceding tests results in a clear allocation of services, all of the employee's services are allocated to the MCTD if the employee resides in the MCTD and performs some services in the MCTD. If the employee either doesn't reside in the MCTD or resides there, but performs no services in the MCTD, the employee is not a covered employee.

   Example: *Employee A works as a corporate trainer for XYZ Corporation. Employee A maintains an office at XYZ Corporation's Manhattan office where they receive their training schedule, agenda updates, and training materials. However, Employee A spends approximately three weeks out of each month on training assignments at XYZ Corporation branches outside of the MCTD. Is Employee A considered a covered employee?*

   Yes. *In applying the first test, we cannot conclude that Employee A's services are localized to the MCTD because the services performed outside of the MCTD would not be considered incidental to Employee A's services within the MCTD. Employee A's primary service is providing training to employees of XYZ Corporation and these services are done outside of the MCTD. We then apply the next test by determining the location of Employee A's base of operations. Since Employee A customarily returns to the Manhattan branch of XYZ Corporation to receive their training schedule, training materials, and corporate information, we can conclude that the Manhattan branch is Employee A's base of operations. All of Employee A's services are allocated to the MCTD and they are a covered employee of XYZ Corporation.*

Payroll expense subject to the MCTMT

Once you have identified the covered employees, you must determine the payroll expense for each covered employee for the quarter.

Payroll expense for covered employees subject to federal Social Security taxes means the total wages and compensation as defined in IRC § 3121, without regard to IRC § 3121(a)(1). IRC § 3121 defines wages and compensation subject to federal Social Security taxes. However, in computing the payroll expense, the annual cap on the amount of wages and compensation of a covered employee subject to Social Security tax contained in IRC § 3121(a)(1) does not apply.

Payroll expense for covered employees subject to federal railroad retirement tax means the total wages and compensation as defined in IRC § 3231, without regard to IRC § 3231(e)(2)(A)(i). IRC § 3231 defines wages and compensation subject to federal railroad retirement tax. However, in computing payroll expense, the annual cap on the amount of wages and compensation of a covered employee subject to the railroad

retirement tax contained in IRC § 3231(e)(2)(A)(i) does not apply.

You cannot allocate payroll expenses for covered employees who work both inside and outside of the MCTD for the purposes of computing the MCTMT. If an employee is considered a covered employee, then all of the payroll expense for that employee is subject to the MCTMT.

Completing Form MTA-305

Follow these guidelines.

Use black ink only (no red or other color ink or pencils) to print or type all entries.

Do not write in dollar signs, commas, dashes, or decimal points when making entries. All necessary punctuation has been printed on the form.

Line instructions

Enter your legal name, business mailing address including ZIP code, and your employer identification number (EIN). Your business mailing address is where all of your withholding tax, unemployment insurance (UI) (if applicable), and MCTMT mail will be sent.

Foreign addresses – Enter the information in the following order: city, province or state, and then country (all in the *City, village, or post office* box). Follow the country's practice for entering the postal code. **Do not abbreviate the country name.**

Address change – If you need to update your withholding tax, UI (if applicable), and MCTMT address, you can do so online. Visit our website and select the option to change your address. Otherwise, enter your new mailing address for withholding tax, UI (if applicable), and MCTMT in the appropriate area on Form MTA-305, and mark an ***X*** in the *Address change* box on the address line. **Do not** mark an ***X*** in this box if your address is new since your last filing but was already updated online.

If there have been changes to other business information (for example, business name, identification number, telephone number, and so on), you must complete and submit Form DTF-95, *Business Tax Account Update.* To report a change to your physical or paid preparer address only, you may file Form DTF-96*, Report of Address Change for Business Tax Accounts*.

Filing period – Mark an ***X*** in the box for the quarter and enter the last two digits of the tax year of the period for which you are filing.

Amended return – If you are filing an amended return, mark an ***X*** in the *Amended return* box. Complete the return using the corrected information.

Line A1 – Enter the number of full-time and part-time covered employees whose payroll expense is included in the amount on line 1a. If the amount on line 1a is 0, enter ***0***.

Line A2 – Enter the number of full-time and part-time covered employees whose payroll expense is included in the amount on line 1b. If the amount on line 1b is 0, enter ***0***.

Line A3 – Total number of employees

Enter the number of full-time and part-time covered employees whose payroll expense is included in the amount on line 1c. If the amount on line 1c is 0, enter ***0***.

Line B – Special condition code

If you are a **local government employee** as defined in Tax Law § 800(f), enter code ***G1***.

Line C – Final payroll date

If you have permanently ceased paying wages subject to the MCTMT, enter the date of the final payroll in the box where indicated on the return. Do not enter a date if you are temporarily not paying wages subject to the MCTMT.

Line 1a – Enter the amount of payroll expense attributable to Zone 1 that is subject to the MCTMT.

Line 1b – Enter the amount of payroll expense attributable to Zone 2 that is subject to the MCTMT.

Line 1c – Enter the total payroll expense for all covered employees in the MCTD for the quarter. Do not leave line 1c blank. If this amount is not greater than $312,500 for the quarter, you are not subject to the MCTMT for the quarter. Enter ***0*** on line 2c and continue on line 3.

Line 2a – If you are **not** a **local government employer,** multiply line 1a by the percentage shown in the table below. Enter the result on line 2a.

If the payroll expense on line 1a is:				
over		**but not over**	**Multiply line 1a by:**	
$ 0	$	375,000	0.055%	(0.00055)
375,000		437,500	0.115%	(0.00115)
437,500		2,500,000	0.60%	(0.0060)
2,500,000			0.895%	(0.00895)

If you **are** a **local government employer**, multiply line 1a by the percentage shown in the table below. Enter the result on line 2a.

If the payroll expense on line 1a is:				
over		**but not over**	**Multiply line 1a by:**	
$ 0	$	375,000	0.055%	(0.00055)
375,000		437,500	0.115%	(0.00115)
437,500			0.60%	(0.0060)

Line 2b – Multiply line 1b by the percentage shown in the table below. Enter the result on line 2b.

If the payroll expense on line 1b is:				
over		**but not over**	**Multiply line 1b by:**	
$ 0	$	375,000	0.055%	(0.00055)
375,000		437,500	0.115%	(0.00115)
437,500		2,500,000	0.34%	(0.0034)
2,500,000			0.635%	(0.00635)

Important: Local government employers are **not** subject to the MCTMT in Zone 2.

Line 3 – Enter the total of:

- any MCTMT payments remitted through the Tax Department's PrompTax program for payrolls during the quarter; and
- any MCTMT overpayment from the previous quarter that you requested be applied to the current quarter (if this amount was adjusted by the Tax Department, use the adjusted amount).

Amended return filers – Make the following adjustments to the amount reported on line 3 of the previously filed MTA-305 you are amending:

- Add any amount paid with your original return as reported on your original Form MTA-305, line 4. If you paid additional amounts since your original return was filed, also include these payments on line 3. If you did not pay the entire amount due shown on your original return, enter the actual amount that was paid. **Do not include payments of interest or penalties.**
- Subtract any overpayment shown on line 5 of your original Form MTA-305. If the overpayment claimed on your original return was previously adjusted by the Tax Department, subtract the adjusted overpayment amount. **Do not include interest you received on any refund.**

Line 4 – If line 2c is more than line 3, subtract line 3 from line 2c; this is the total MCTMT balance due for the quarter. Make your check or money order payable in U.S. funds to ***Commissioner of Taxation and Finance*** for the total payment due. Write your EIN and ***MTA-305*** on your payment.

Fee for payments returned by banks – The law allows the Tax Department to charge a $50 fee when a check, money order, or electronic payment is returned by a bank for nonpayment. However, if an electronic payment is returned as a result of an error by the bank or the department, the department won't charge the fee. If your payment is returned, we will send a separate bill for $50 for each return or other tax document associated with the returned payment.

Line 6 – To request a refund of the amount on line 5, mark an ***X*** in box 6a. To request a credit to next quarter's MCTMT, mark an ***X*** in box 6b.

The department will keep all or part of any overpayment (refund) you report on line 5 if you have outstanding liabilities.

Third-party designee

If you want to authorize another individual (third-party designee) to discuss this tax return with the New York State Tax Department, mark an ***X*** in the *Yes* box in the third-party designee area of your return. Also print the designee's name, phone number, e-mail address, and any five-digit number the designee chooses as their personal identification number (PIN). If you want to authorize the paid preparer who signed your return to discuss the return with the Tax Department, print the preparer's name in the space for the designee's name and enter the preparer's phone number in the space for the designee's phone number. You do not have to provide the other information requested. If you do not want to authorize another person, mark an ***X*** in the *No* box.

If you mark the *Yes* box, you are authorizing the Tax Department to discuss with the designee any questions related to this return. You are also authorizing the designee to give and receive confidential taxpayer information relating to:

- this return, including missing information,
- any notices or bills arising from this filing that you share with the designee (they will not be sent to the designee),
- any payments and collection activity arising from this filing, and
- the status of your return or refund.

This authorization will not expire but will only cover matters relating to this return. If you decide to revoke this designee's authority at any time, call us (see *Need help?).*

You are not authorizing the designee to receive your refund, bind you to anything (including any additional tax liability), or otherwise represent you before the Tax Department. If you want someone to represent you or perform services for you beyond the scope of the third-party designee, you must designate the person using a power of attorney (for example, Form POA-1, *Power of Attorney).*

Signature

You must sign the return and print your name, title, date, and telephone number. The taxpayer signature area must be completed by: the individual if the employer is an individual owner; the president, treasurer, or other principal officer if the employer is a corporation; a responsible and duly authorized member having knowledge of a firm's affairs if the employer is a partnership or other unincorporated organization; or a responsible and duly authorized governmental official, where appropriate. The signature certifies that the information contained in this return is true and correct.

If you use a payroll service or a paid preparer, the paid preparer section must be completed by the payroll service or preparer.

Paid preparer's responsibilities – Under the law, all paid preparers must sign and complete the paid preparer section of the return. Paid preparers may be subject to civil or criminal sanctions, or both, if they fail to complete this section in full.

When completing this section, enter your New York tax preparer registration identification number (NYTPRIN) if you are required to have one. If you are not required to have a NYTPRIN, enter in the *NYTPRIN excl. code* box one of the specified 2-digit codes listed below that indicates why you are exempt from the registration requirement. You **must** enter a NYTPRIN **or** an exclusion code. Also, you must enter your federal preparer tax identification number (PTIN) if you have one; if not, you must enter your Social Security number.

Code	Exemption type	Code	Exemption type
01	Attorney	02	Employee of attorney
03	CPA	04	Employee of CPA
05	PA (Public Accountant)	06	Employee of PA
07	Enrolled agent	08	Employee of enrolled agent
09	Volunteer tax preparer	10	Employee of business preparing that business' return

See our website for more information about the tax preparer registration requirements.

Keep a copy of your completed and signed return for your records.

Mail your return to:

MCTMT PROCESSING CENTER
PO BOX 4139
BINGHAMTON NY 13902-4139

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. See Publication 55 for where to send the form(s) covered by these instructions.

Privacy notification

New York State Law requires all government agencies that maintain a system of records to provide notification of the legal authority for any request, the principal purpose(s) for which the information is to be collected, and where it will be maintained. To view this information, visit our website, or, if you do not have Internet access, call and request Publication 54, *Privacy Notification*. See *Need help?* for the Web address and telephone number.

Need help?

Visit our website at ***www.tax.ny.gov***

- get information and manage your taxes online
- check for new online services and features

Telephone assistance

MCT Mobility Tax Information Center:	518-485-2392
To order forms and publications:	518-457-5431
Text Telephone (TTY) or TDD equipment users	Dial 7-1-1 for the New York Relay Service