New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

TSB-M-78 (19)C
Corporation Tax
Instructions and Interpretations Section
September 8, 1978

Subject: Allocation of Home Office Expenses for Bank Corporations

The following question has been raised concerning Article 32 (Franchise Tax on Banking Corporation) of the Tax Law.

Question:

> Is it proper for a taxpayer to allocate home-office expenses to its foreign branches for book purposes but not for purposes of computing foreign branch net income when, in determining New York entire net income, the foreign branch net income is deducted from Federal taxable income as income derived from business carried on without New York State?

Answer:

> NO. Foreign branch income must be reduced by: one, those home-office expenses which are directly attributable to the branch and two, those home-office expenses which are indirectly attributable to the branch in that proportion that average gross total assets of the branch bears to the average gross total assets of the taxpayer. In the case of a taxpayer which files on a consolidated basis, "gross total assets of the taxpayer" means gross total assets of such taxpayer on a separate basis, not the gross total assets of the consolidated group. Average gross total assets generally is computed on a quarterly basis where the taxpayer's usual accounting practice permits such computation.
> However, at the option of the taxpayer, a more frequent basis (such as monthly, weekly, or daily average) may be used. Where the taxpayer's usual accounting practice does not permit a quarterly or more frequent computation of average gross total assets, a semi-annual or annual computation may be used where no distortion of average gross total assets will result. Any method of determining average gross total assets which is adopted by the taxpayer on any return and accepted by the Tax Commission may not be changed on any subsequent return without prior consent of the Tax Commission.