

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

TSB-M-78 (20)C
Corporation Tax
Instructions and Interpretations Section
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Subject: Issuer's Allocation Percentage on Banks

Banks, bank holding corporations and general business corporations included in a consolidated return filed under Article 32 (Franchise Tax on Banking Corporation) of the Tax Law shall compute an issuer's allocation percentage for purposes of sections 210(3)(b)(1) and 210(7) of Article 9A of the Tax Law as follows:

Each banking corporation doing a banking business as defined in subdivision (b) of section 1452 of Article 32 of the Tax Law both within and without New York State, must compute its issuer's allocation percentage on a separate basis. A bank included in a consolidated return or filing separately must compute its issuer's allocation percentage by dividing its entire net income within New York State by its entire net income both within and without New York State, that is, world-wide entire net income. However, if the bank's net income results in a loss in either the numerator or the denominator, or both, its issuer's allocation percentage must be computed by dividing its gross income within New York State by its gross income both within and without New York State, that is, by world-wide gross income.

Each business corporation, including a bank holding corporation, which is included in a consolidated return filed under Article 32 of the Tax Law, must compute its issuer's allocation percentage on a separate basis. The percentage must be computed by adding together allocated business capital and allocated subsidiary capital and dividing the result by total capital. Total capital is the average fair market value of total assets less the certain liabilities described in subdivision (a) of section 3-4.3 of the Business Corporation Franchise Tax Regulations (hereinafter "Regulations"). Business capital is total capital less the average fair market value of subsidiary capital. Subsidiary capital is defined in section 3-6.3 of the Regulations. Business capital and subsidiary capital must be allocated in accordance with the methods set forth in sections 4-2.3 and 4-10.1 of the Regulations, respectively.

Each corporation included in a consolidated return filed under Article 32 of the Tax Law must submit a rider showing how the issuer's allocation percentage was computed.