

CT-4-I Instructions for Form CT-4

Line-by-Line Instructions for Form CT-4

Reporting Period

Your taxable year for New York State must be the same as your federal taxable year. If it is not a calendar year, be sure to enter the correct reporting period on page 1 of your report.

Principal Business Activity

In reporting your "principal business activity," give the one activity that accounts for the largest percentage of total receipts. "Total receipts" are gross receipts and all other income. State the broad field of business activity as well as the specific product or service (e.g. mining copper, wholesale meat, retail men's apparel, real estate rental). Be sure to enter the business group code number from your federal return.

Line A – Payment

Line A. After completing your report, enter the amount of payment enclosed. Pay the full amount from line 24.

Lines 1-9

Computation of Entire Net Income Base

Line 1. Enter your federal taxable income (before net operating loss 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-A, use the amount from line 24.
- If you are an S corporation filing federal Form 1120S but you have not made an election to be treated as an S corporation for New York State, enter the federal taxable income (before net operating loss and special deductions) you would have been required to report if you had not made the election (available under subchapter S, Chapter 1 of the IRC). Attach a separate sheet showing how you determined this amount. In general, the items affected are:
Dividends – Form 1120, line 4
Interest – Form 1120, line 5
Capital gain net income – Form 1120, line 8
Contributions – Form 1120, line 19

Line 2. Enter all interest received or accrued from federal, state, municipal and other obligations that was exempt from taxation on your federal income tax return and is therefore not included in federal taxable income. You may deduct from this amount any expenses attributable to such interest but denied deductibility under IRC Section 265. Attach a list of items included on this line.

Line 3. Enter the amount deducted on your federal return for taxes imposed under Articles 9-A, 13-A or 32 and taxes paid or accrued to

any state of the United States, any political subdivision of a state or to the District of Columbia, which are on or are measured by profits or income, or which include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing. Include the metropolitan transportation business tax surcharge (CT-3M/4M). However, **do not** include New York City taxes.

Line 4. Enter the amount deducted in computing federal taxable income for interest on indebtedness directly or indirectly owed to:

- Each individual stockholder who alone or together with a member of his or her immediate family owns more than 5% of the issued capital stock. "Immediate family" means brothers and sisters, of whole or half blood, spouse, ancestors and descendants.
- Each corporate stockholder including its subsidiaries that owns more than 5% of the issued capital stock.

You may deduct \$10,000 or 10% of the interest, whichever is larger.

Before making entries on lines 5 or 7, see "NYS Modifications to ACRS Deductions" on page 2 of these instructions for information on the recent amendments to the Tax Law and complete Form CT-399.

Line 5. Enter from Form CT-399, line 3, *Schedule for Depreciation Adjustments*, the amount of your federal ACRS deduction that must be added back to federal taxable income.

Line 7. Enter from Form CT-399, line 4, Column i, the amount of allowable New York State depreciation deduction. Attach Form CT-399, *Schedule for Depreciation Adjustments*, and federal Form 4562, *Depreciation and Amortization Schedule*.

Line 8. Subtract line 7 from line 6. This is your entire net income base.

Line 9. Multiply line 8 by the tax rate of 8% (.08).

Lines 10-17

Computation of Capital Base

The Business Tax Reform and Rate Reduction Act of 1987 did not change the rate of the tax on the capital base. However, several changes were made to the method used to determine the capital base. Please read these revised instructions with care.

To determine the value of your assets for the capital base computations, you must include real property and marketable securities at fair market value. All other property must now be included at the value shown on your books in accordance with generally accepted accounting principles. Use lines 10 through 14 to adjust the assets you reported on your federal return.

On lines 10 through 15, enter the values at the beginning of the year in Column A and at the end of the year in Column B. Enter the average value in Column C. **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 10. Enter your total assets from the balance sheet of your federal tax return.

Line 11. Enter balance sheet value of any real property and marketable securities included on line 10.

Line 12. Subtract line 11 from line 10.

Line 13. Enter the fair market value of real property and marketable securities included on line 11. **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.

Line 14. Add lines 12 and 13.

Line 15. The 1987 amendments to Article 9-A of the Tax Law now permit the deduction of all liabilities (both long and short term) when computing the capital base. Use the same method of averaging used to determine average value of assets.

Line 16. Subtract line 15, Column C, from line 14, Column C. This is your total capital.

Line 17. Multiply the capital base on line 16 by the tax rate of .00178.

Line 18

Fixed Dollar Minimum Tax

Line 18. Enter \$250 unless your taxable period was nine months or less. See "Tax Rates" on page 1 for details.

Lines 19-29

Tax Computation

Line 19. Enter the amount from line 9, 17, or line 18, whichever is largest.

Exception – if the tax based on capital (line 17) is larger than the tax based on entire net income (line 9) only because of the 8% (.08) tax rate, then the lower amount becomes the franchise tax due. Use the worksheet below to determine if this exception applies to you. The purpose of the worksheet is to compare the tax on entire net income base using the small business taxpayer's reduced tax rate and the regular tax rate of 9% (.09) with the tax based on the capital base.

Worksheet

A. Tax on capital base from line 17.....	\$ _____
B. ENI base from line 8 \$ _____ X .08.....	\$ _____
C. ENI base from line 8 \$ _____ X .09.....	\$ _____

If line A is the largest amount, enter that amount on line 19.

If line C is the largest amount, enter the line B amount on line 19.

However, the tax due cannot be less than the fixed dollar minimum on line 18.

Line 20. Enter the total of all prepayments made for the period covered by this report. If you have filed an application for extension (Form CT-5) and you entered an amount on line 3 of that form (mandatory 25% installment) **do not use this form; use Form CT-3**

Lines 22 and 23. If you are not filing this report on time, you must pay interest and additional charges. See page 2 for interest and additional charges for late filing.

Line 25. You may apply an overpayment or part of an overpayment of tax as a credit to your metropolitan transportation business tax surcharge or to your next taxable period, or you may have it refunded. Indicate on lines 26 through 29 the amounts you wish transferred as credits or refunded.

General Information Required

Lines 32 & 33. Real Property Gains Tax. Every corporation with an interest in real property located in New York State must keep a record of the transfer of its stock and report annually every transfer of a controlling interest in the stock and any other information that may be required to enforce this tax (Article 31-B, Section 1449-a).

Controlling interest is either 50 percent or more of the total combined voting power of all classes of stock or 50 percent or more of the capital, profits or beneficial interest in that voting stock.

Answer both questions (lines 32 and 33). If you answer "Yes" to both questions, attach a separate sheet providing the following information.

- Name, address and identification number of the new controlling stockholder (use social

security number for individuals and federal employer identification number for corporations).

- Date transfer was made.
- Location of real property.
- Whether the corporation is a cooperative housing corporation.

Lines 34-36. Enter amounts from your federal return.

Line 39. Corporations that made interest payments that were deducted in computing entire net income to a shareholder owning, directly or indirectly, individually or in the aggregate, more than 50% of the issued capital stock must provide the information requested in this section (Section 211.2-a). 1987 Tax Law Reform Legislation imposes a penalty of \$500 for failure to provide this information (Section 1085(n)).

Mail all reports to:

**NYS Corporation Tax
Processing Unit
P.O. Box 1909
Albany, NY 12201-1909**

For information:

From New York State, call toll-free 1 800 CALL TAX (1 800 225-5829)

From outside New York State, call (518) 438-8581

For forms or publications:

From New York State, call toll-free 1 800 462-8100

From outside New York State, call (518) 438-1073

Taxpayer assistance is available Monday through Friday from 8:00 a.m. to 5:00 p.m.

If you need to write instead of calling, address your letters to:

New York State Tax Department
Taxpayer Assistance Bureau
W.A. Harriman Campus
Albany, NY 12227