



Instructions for Forms CT-3 and CT-3-ATT

General Business Corporation

Franchise Tax Return and Attachment

General Information

The Tax Department has made changes to allow more taxpayers to file the short form (CT-4) rather than the long form (CT-3). If you filed the CT-3 in the past, see *Which Form to File* below to determine whether you are now eligible to file the Form CT-4.

Who Must File — All general business corporations other than New York S corporations must file franchise tax returns on either Form CT-3 or Form CT-4. This includes both corporations organized under New York State law and foreign corporations (those organized under the laws of any other state or country) that do business, employ capital, own or lease property or maintain an office in New York State. A general business corporation that has elected to be treated as an S corporation (by filing Form CT-6) must file either Form CT-3-S or Form CT-4-S, *New York S Corporation Franchise Tax Return*, instead of Form CT-3 or Form CT-4.

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

A general business corporation includes all corporations except:

- Banking corporations (Article 32)
- Insurance corporations (Article 33)
- Transportation and transmission corporations (Article 9)
- Utility companies (Article 9)
- Farmers and agricultural cooperatives (Article 9)
- Nonstock, not-for-profit corporations that may be subject to an unrelated business income tax (Article 13)

Tax Bases — Corporations subject to Article 9-A of the Tax Law must compute four distinct taxes and pay the tax that results in the highest amount owed. The four taxes include a tax on entire net income, a tax on business and investment capital, a tax on minimum taxable income, and a fixed dollar minimum tax. In addition, if a corporation has any subsidiaries, it must pay a tax on its subsidiary capital. If you have any subsidiaries, you cannot file Form CT-4, but instead must file Form CT-3 or Form CT-3-A. For additional information see *Which Form to File*.

Which Form to File — Form CT-4 is a simplified general business franchise tax return that will meet the filing needs of many businesses. Review the requirements for filing Form CT-3 below. If you are not required to use Form CT-3, then you may use Form CT-4.

You must use Form CT-3 if any of the following conditions exist:

- You claim a deduction for optional depreciation.
- You claim any tax credits. Tax credits include the eligible business facility tax credit, investment tax credit, employment incentive

tax credit, special additional mortgage recording tax credit, economic development zone credits, servicing mortgage credit and minimum tax credit.

- You are a real estate investment trust, a taxable domestic international sales corporation (DISC) or a stockholder in a DISC (see *Special Instructions for DISCs* on page 4).
- You have business income or capital attributable to sources outside New York State, and you want to allocate this income and capital.
- You have investment income or capital.
- You have a subsidiary (another corporation of which you own more than half of its voting stock).
- You have federal adjustment or tax preference items other than the depreciation adjustment used to compute the minimum taxable income base.
- You are required to make an addition on Form CT-3, line 8. Additions required on line 8 include optional depreciation, worldwide income and losses, safe harbor lease adjustments, addback of certain credits, a corporation's pro-rata share of business from the Insurance Exchange and certain interest paid by an acquiring corporation.
- You have a subtraction on Form CT-3, line 15, other than the subtractions allowed on Form CT-4, line 9. Subtractions required on line 15 include optional depreciation, receipts from the operation of school buses, wages disallowed in computation of federal jobs credit, safe harbor lease adjustments and the pro-rata share of business from the Insurance Exchange.

Other Forms You May Have to File or Business Taxes to Which Your Corporation May Be Subject

Form CT-3M/4M, General Business Corporation MTA Surcharge Return, must be filed by any corporation 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-5, Request for Six-Month Extension to File (For Franchise/Business Taxes, MTA Surcharge, or Both), is a request for a six-month extension of time to file a tax return for general business corporations. File it on or before the due date of the return.

Form CT-5.1, Request for Additional Extension of Time to File (For Franchise/Business Taxes, MTA Surcharge, or Both), is a request for additional time to file a tax return. File it on or before the expiration date of the original extension or previously filed additional extension.

Form CT-399, Depreciation Adjustment Schedule, must be used to compute the allowable New York State depreciation deduction if you claim 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.

This form also contains schedules for determining a New York State gain or loss on the disposition of ACRS or MACRS property. It is also used to compute the depreciation deduction for the minimum taxable income base.

Form CT-222, Underpayment of Estimated Tax by a Corporation, will help you determine if you have underpaid an estimated tax installment and, if so, compute the penalty due.

Form CT-240, Foreign Corporation License Fee Return, must be filed by a corporation organized outside New York State (foreign corporations) 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. For more details see Form CT-240.

Form CT-244, Acquisition, Merger and Consolidation Information Report, must be filed by any corporation taxable under Article 9-A that is involved in an acquisition, merger or consolidation.

Form CT-245, Maintenance Fee and Activities Return of Foreign Corporations Disclaiming Tax Liability, must be filed by a corporation organized outside New York State that wishes to disclaim tax liability but wants to remain authorized to do business. The annual maintenance fee is \$300. This fee may be claimed as a credit against tax due under Article 9-A. Full payment of the franchise tax, state tax surcharge and MTA surcharge will satisfy the maintenance fee requirement. For more details, see Form CT-245.

Form CT-3-B, Tax Exempt Domestic International Sales Corporation (DISC) Information Return, must be filed by domestic international sales corporations within 8½ months after the end of the tax year. See *Special Instructions for DISCs* (page 4 of these instructions).

Form CT-33-D, Tax on Premiums Paid or Payable to an Unauthorized Insurer, must be filed if you have purchased or renewed a taxable insurance contract from an insurer not authorized to transact business in New York State. This return must be filed within 60 days following the end of the calendar quarter in which the contract was purchased or renewed.

Form CT-186-A, Utility Services Tax Return — Gross Operating Income, (Article 9, section 186-a). A corporation not supervised by the New York State Department of Public Service that engages in the sale or furnishing of gas, electricity, steam, water, or refrigeration must pay a tax of 3.5% on its gross operating income.

Form CT-186-E, Telecommunications Tax Return and Utility Services Tax Return — A corporation that also provides telecommunication services must file a return under section 186-e, excise tax on telecommunication services, and pay a tax of 3.5% on its gross receipts from the sale of telecommunication services. For further information see Form CT-186-E-I, *Instructions for Form CT-186-E, Telecommunications Tax Return and Utility Services Tax Return*.

Form CT-189, Tax on Importation of Gas Services — Article 9, section 189, imposes a tax on gas importers who import, or cause to be imported, gas for their own use. The tax is computed at the rate of 4.25% of the consideration given for the gas. (See TSB-M-91(5)C for more information.)

Form CT-400, Estimated Tax for Corporations, must be filed by any corporation whose New York State tax and state tax surcharge liability can reasonably be expected to exceed \$1,000. See *Estimated Tax, State Tax Surcharge and MTA Surcharge*.

Form CT-3360, Federal Changes to Corporate Taxable Income, must be used to report any correction made by the Internal Revenue Service in taxable income previously reported for any year, including changes based on the renegotiation of a government contract.

Sales and Use Tax — If you sell goods or services delivered in New York State you may have to collect and remit the New York State sales and use tax.

Employer's Withholding Tax — If you hire anyone to help operate your business in New York State you must withhold and remit New York State (and New York City and Yonkers, if applicable) income taxes from the wages of your employees.

Motor Fuel Taxes — Motor fuel distributors and diesel motor fuel distributors or users in New York State must register with the Tax Department and file the appropriate tax returns.

Highway Use Taxes — Any motor vehicle having a maximum gross weight, alone or in combination with another motor vehicle, of more than 18,000 lbs. is subject to this tax.

Unrequested Refunds to be Credited Forward — If you overpay your tax, you 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. You may then claim a refund of the overpayment before the original due date of the following year's return.

Forms for Requesting Refunds

Form CT-8, Claim for Credit or Refund of Corporation Franchise Tax Paid, is used to request a refund other than of an overpayment. To speed up processing of the claim, mail it separately from your annual returns. A claim for refund based on a net operating loss carryback must be filed within three years of the extended due date of the return for the loss year or within 27 months from the date of the federal credit or refund. A refund based on a federal change must be filed within two years from the date the federal change was required to be reported. All other claims for refunds must be received within three years from the date the return was filed, or two years from the date the tax was paid, whichever is later.

Requests for refunds due to overpayment of tax must be made on Form CT-3 or CT-4.

Form CT-9, Claim for Tentative Refund from Carryback of Net Operating Loss, should be used by all corporations requesting refunds, not exceeding \$1,188, based on net operating loss carrybacks.

Returns that are the basis for these refunds will be subject to review after the refunds have been processed. The claim must be filed within 90 days after the receipt of the federal refund.

Federal S corporations must file a claim within 15 months from the end of the loss year. For full description of the limitation and requirements, see Form CT-9-1, *Instructions for Form CT-9*.

When and Where to File — File your return within 2½ months after the end of your reporting period. If you are reporting for the calendar year, your return is due on or before March 15. If your filing date falls on a Saturday, Sunday or legal holiday, then you must file your return on or before the next business day. **1996 Calendar Year Filers:** Since the legal filing date of March 15, 1997, falls on a Saturday, you have until Monday, March 17, 1997, to file your return.

Mail returns to: NYS CORPORATION TAX PROCESSING UNIT
PO BOX 1909
ALBANY NY 12201-1909

If you cannot meet the filing deadline, ask for a six-month extension of time by filing Form CT-5.

For more information, contact the Taxpayer Assistance Bureau. See the last page of these instructions for address and telephone numbers.

Tax Rates — The current tax rates are:

Entire net income base09
Entire net income base for qualified small business taxpayers with:	
Entire net income base of \$200,000 or less08
Entire net income base of more than \$200,000 but not more than \$290,000	
1. \$16,000 plus	
2. 9% of amount over \$200,000 but not over \$290,000 plus	
3. an additional 5% of amount over \$250,000 but not over \$290,000	
Capital base00178
Minimum taxable income base035
For a corporation with a gross payroll of:	The fixed dollar minimum tax is:
— \$6,250,000 or more	\$1,500
— Less than \$6,250,000 but more than \$1,000,000	\$425
— \$1,000,000 or less	\$325
— However, if the corporation's gross payroll, total receipts and average value of gross assets are each \$1,000 or less	\$800
Subsidiary capital base0009
Qualified cooperative housing capital base0004
State Tax Surcharge	
(for periods ending after June 30, 1995, and before July 1, 1996)	7½% (.075)

(for periods ending after June 30, 1996, and before July 1, 1997) 2½% (.025)

Short periods — Fixed Dollar Minimum Tax

Gross Payroll for Short Periods — Annualize gross payroll for tax periods of less than 12 months by dividing the amount of gross payroll 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
— A period of not more than 6 months	50%
— A period of more than 6 months but not more than 9 months	25%
— A period of over 9 months	None

How to Avoid an Erroneous Assessment Based on Fixed Dollar Minimum Tax Rates — The fixed dollar minimum tax rate has four levels. The amount of the tax ranges from \$325 to \$1,500.

Your fixed dollar minimum tax rate is determined by the corporation's gross payroll, total receipts and average value of gross assets.

To avoid an erroneous assessment or a delay in your refund, you **must** enter an amount in each of the three boxes provided on Form CT-3, line 70, or Form CT-4, line 30. If you do not have assets, payroll or receipts, enter "0" in the appropriate boxes.

Failure to make an entry in each box may result in an assessment of tax or reduction of your refund.

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 which 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 or 20 NYCRR 3-1.2.

Estimated Tax, State Tax Surcharge and MTA Surcharge

— If your New York State franchise tax and state tax surcharge liability can reasonably be expected to exceed \$1,000, you must file a declaration of estimated tax.

If this expectation arises before the 1st day of the 6th month of your tax year, file this declaration on or before the 15th day of the 6th month of the fiscal or calendar year. Include with it a payment of ½ of the estimated tax liability. If you made an initial payment with the preceding year's tax return or applied an overpayment of the tax from that return, deduct this amount from the estimated tax before computing the ½ payment. Additional ½ payments are due on the 15th day of the 9th and 12th months. If you report for the calendar year, file a declaration of estimated tax on June 15, September 15 and December 15.

If the expectation of a tax liability of more than \$1,000 arises on or after the first day of the 6th month of your tax year, see 20 NYCRR 7-2.3.

A declaration of estimated tax may be amended.

A penalty will be imposed if you fail to file a declaration of estimated tax or fail to pay all or any part of an installment payment of estimated tax. (See instructions on this page.)

Penalty will not be due on an installment if the total estimated franchise tax and tax surcharge payments made on or before an installment due date equals or exceeds the amount which would have been required to be paid on or before that date if the amount of the estimated tax and tax surcharge were the smallest of:

For large corporations — a corporation that had (or whose predecessor had) allocated entire net income of at least one million dollars for any of the three tax years immediately preceding the tax year involved:

1. One hundred percent (100%) of the current year's franchise tax and tax surcharge.
2. One hundred percent (100%) of the franchise tax and tax surcharge for the current year computed on an annualized basis.
3. One hundred percent (100%) of the franchise tax and tax surcharge for the current year computed on a recurring seasonal income basis.

For all other corporations:

1. Ninety-one percent (91%) of the current year's franchise tax and tax surcharge shown.
2. One hundred percent (100%) of the franchise tax and tax surcharge for the preceding tax year (if it was for a period of 12 months).
3. One hundred percent (100%) of the franchise tax and tax surcharge computed using current tax rates applied to last year's facts and laws.
4. Ninety-one percent (91%) of the franchise tax and tax surcharge for the current year computed on an annualized basis.*
5. Ninety-one percent (91%) of the franchise tax and tax surcharge for the current year computed on a recurring seasonal income basis.*

* To avoid underpayment penalties, you must make up a reduction in an estimated franchise tax and tax surcharge payment resulting from using annualized income or seasonal income (exception 4 or 5) by increasing the amount of the next installment determined under exceptions 1, 2 or 3 by the amount of such reduction.

The above penalty provisions also apply if you fail to file a declaration of estimated MTA surcharge or fail to pay all or any part of an installment payment of MTA surcharge.

Late Payment — Interest — If you do not pay the tax, tax surcharge and MTA surcharge, if applicable, on or before the original due date, you must pay interest on the amount of the underpayment from the original due date (determined without regard to an extension of time to file) of the return to the date the tax and tax surcharges are paid. Exclude from the interest computation any amount shown on line 80a or 80b, first installment of estimated tax for the next period. 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.

Late Filing and Late Payment —

Additional Charges — Additional charges for late filing and late payment are computed on

the amount of tax and tax surcharge less any payment made on or before the due date determined with regard to any extension of time for filing. Exclude from the penalty computation any amount shown on line 80a or 80b, first installment of estimated tax for next period.

- 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 a total of 25% (section 1085(a)(1)(A)).
- B. If you do not file a return within 60 days of the due date, the addition in item A above 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 fail to pay the franchise 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 you are 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 have the interest (line 85) and penalty (line 86) computed for you by calling the Business Tax Information Center at the number listed in *Need Help?*.

Penalties for Understating Tax or Underpaying Estimated Tax

— If the tax you report is understated by 10% or \$5,000, whichever is greater, you will have to 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 can reasonably expect your New York State franchise tax and tax surcharge 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 *Estimated Tax, State Tax Surcharge and MTA Surcharge* on this page and Form CT-222, *Underpayment of Estimated Tax by a Corporation*.

Penalties for Failure to Provide Information Relating to Interest Paid to Shareholders or Information Relating to Your Issuer's Allocation Percentage

— Section 1085(n) of the Tax Law provides for a penalty of \$500 for failure to provide information about interest payments made to shareholders that were deducted in computing entire net income. See instructions for line 104 (Article 27, section 1085(n)).

Section 1085(o) of the Tax Law provides for a penalty of \$500 for failure to provide information needed to compute your issuer's allocation percentage. See instructions for Form CT-3, line 41.

Civil and Criminal Penalties

The Omnibus Tax Equity and Enforcement Act imposes strong civil and criminal penalties for negligence or fraud. For more information about this act, contact the Business Tax Information Center (address and telephone numbers on the last page of these instructions).

Net Operating Loss Deduction

You must determine a New York State net operating loss deduction as if you had elected under IRC section 172 to relinquish the carryback provisions, except for the first \$10,000, which may be carried back to the three preceding years (section 208.9(f)).

In addition, special net operating loss provisions apply to aviation corporations and corporations involved with mergers, acquisitions or consolidations.

These rules apply:

- IRC section 172 federal losses must be adjusted in accordance with Article 9-A, section 208.9(a), (b) and (g).
- You may carry net operating losses forward 15 years.
- If you have elected to carry back a net operating loss for federal tax, you may carry back only the first \$10,000 of a net operating loss to the three preceding years.
- 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 three-year carryback of a net operating loss, you may not carry back a net operating loss for state tax purposes, and you must submit a copy of your federal election.
- A New York C corporation is not allowed a deduction for a net operating loss sustained during a New York S year.
- Enter the net operating loss carryforward on Form CT-3, line 13.
- Attach a separate sheet to Form CT-3, providing computations of both the federal and New York State net operating losses claimed.
- A real estate investment trust will be allowed a deduction for net operating losses.
- These rules also apply to a federal S corporation not electing New York S corporation treatment and corporations included in a group reporting on a consolidated basis for federal tax. These corporations must carry losses to the same year and in the same manner as provided in these instructions with one exception: Instead of a copy of the federal election to relinquish the three-year carryback of a net operating loss, 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 net operating loss back before the loss can be carried forward.

Alternative Net Operating

Loss Deduction — An alternative net operating loss deduction (ANOLD) is allowed for tax years beginning on or after January 1, 1994. This deduction, to be entered on line 56b, is determined in the manner described above for computing the regular net operating loss deduction except that:

- The net operating loss for any year beginning after 1989 which is included in the ANOLD must be redetermined with the adjustments and tax preferences required to be utilized in computing the minimum taxable income for that year. (Note that the required add-back of regular NOLD is not such an adjustment or tax preference.) An item of tax preference is taken into account only to the extent it increased the regular net operating loss.

- Loss carryforwards and carrybacks are to be applied against a figure equal to 90% (except as provided below) of minimum taxable income (computed without regard to ANOLD), rather than against entire net income.
 - For any tax year beginning in 1994, the ANOLD may not exceed 45% of the minimum taxable income for the year (computed without regard to the ANOLD).
- For details see TSB-M-94(5)C.

Aviation Corporations — Net Operating Loss Deduction

Corporations principally engaged in aviation are taxable under Article 9-A and are permitted to claim a net operating loss deduction in the same manner as other Article 9-A corporations. Air freight forwarders acting as principal and like indirect carriers are limited to net operating losses sustained in years that they were taxable under Article 9-A.

Aviation corporations (other than air freight forwarders acting as principal and like indirect carriers) will be allowed to carry forward any net operating losses 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 net operating loss 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 1985-1988 net operating loss must be carried forward.

Merger, Acquisition and Consolidation — Net Operating Loss Deduction

In general, in a highly leveraged transaction, any net operating loss of a target corporation, from prior years or a loss sustained in the year of a merger, acquisition or consolidation, cannot be used by the acquiring corporation. For complete details see Form CT-244-I, *Instructions for Form CT-244*, and TSB-M-89(17)C.

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 entire net income all income from international operations effectively connected to the United States, foreign passive income and income earned overseas 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 regular Article 9-A business allocation formula based on receipts, payroll and property, as opposed to the special 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 special airline allocation formula.

For further information see TSB-M-94(2)C.

Special Instructions for DISCs

A domestic international sales corporation (DISC) is a corporation that meets the requirements of section 992(a) of the Internal Revenue Code (IRC). Investments in the stock of a DISC or debts of a DISC must be treated as business capital. Stockholders of DISCs must report all income from DISCs included in federal taxable income as business income and cannot make any adjustments to federal taxable income on lines 10 and 11 of Form CT-3, unless actual dividend distributions were paid out of other earnings and profits as provided in section 996 of the IRC.

Tax-Exempt DISCs — A DISC is exempt from tax under Article 9-A of the Tax Law if, during the year, it received more than 5% of its gross receipts from the sale or rental of property obtained from stockholders, or received more than 5% of its total receipts, other than sales or rentals, from its stockholders. It must file an information return on Form CT-3-B, within 8½ months after the end of the return year. Stockholders of tax-exempt DISCs must file an individual return on Form CT-3 and a consolidated return with the DISC on Form CT-3-C.

Taxable DISCs — A DISC not meeting the 5% test must file Form CT-3 within 8½ months after the end of the return year. It is subject to the tax on allocated capital or the fixed dollar minimum, whichever is higher, plus a tax on subsidiary capital.

Do not complete lines 1 through 25 or lines 42 through 68 of Form CT-3. Enter the initials *DISC* after the name of the corporation in the address section of the return.

Combined Returns — A combined return, Form CT-3-A, may be required by the tax commissioner for a taxpayer and a taxable DISC if the taxpayer beneficially owns substantially all of the DISC's issued and outstanding capital stock. A corporation that owns all of the capital stock of a taxable DISC will be allowed, at its election, to file a combined return with the DISC. Any other corporation may be required or permitted to be included in the combined return if required by Subpart 6-2 of the Regulations.

New York S Corporation —

Termination Year — If your federal and New York S election terminates on a day other than the first day of a tax year, the tax year is divided into two tax periods (an S short year and a C short year). You must file Form CT-3-S or Form CT-4-S for the New York S short year and Form CT-3 or CT-4 for the New York C short year. See the instructions for Form CT-3-S and Form CT-4-S and TSB-M-90(11)C for more information.

The due date of the New York S short year return (Form CT-3-S and Form CT-4-S) is the same as the New York C short year even though they are treated as separate short tax years.

Change of Business

Information — If there have been any changes in your business name, identification number, mailing address, business address, telephone number or owner/officer information and you have not previously notified us, complete Form DTF-95, *Change of Business Information*. If you don't have a form, call toll free

1 800 462-8100. From areas outside the U.S. and Canada, call (518) 485-6800 to request one.

Change of Address — If your address has changed, enter your new address on the label and check the box next to the name and address block at the top of your corporation tax return. Do not check this box for any change of business information other than address. You must still attach the preprinted label with the old address to enable us to update your account.

Final Return — Check the *Final Return* box on page 1 of the return, under the form number, only if filing a final return for one of the following reasons:

- Voluntary Dissolution - New York Corporation (New York Business Corporation Law sections 1001 through 1003)
- Surrender of Authority by a Foreign Corporation (New York Business Corporation Law section 1310)
- Merger or Consolidation (New York Business Corporation Law sections 904, 905 and 907)
- Disposition of Assets - New York Corporation (New York Business Corporation Law section 909(d))
- Termination of Existence - Foreign Corporation (New York Business Corporation Law section 1311)
- Liquidation Under Internal Revenue Code (IRC sections 332, 333, 334 and 337).

See *Voluntary Dissolution and Surrender of Authority and Liability for Taxes and Fees* below and also Publication 110, *Information and Instructions for Termination of Business Corporations*, for the proper procedures to follow in terminating your business.

In the case of a merger or consolidation, the final return check box would only be used by the non-surviving corporation.

The return will be treated as a final return if your business is terminated with the Department of State and the return covers the tax period from the last return filed to the date of the termination.

Foreign authorized corporations see *Foreign Corporation Annual Maintenance Fee and License Fee* on page 1 of these instructions, or refer to Form CT-245 if you are disclaiming tax liability but want to continue to be authorized to do business in New York State.

Do not check the *Final Return* box if you are only changing the type of return that you file (i.e., CT-3 to CT-3-S, CT-4 to CT-3, etc.).

Voluntary Dissolution and Surrender of Authority and Liability for Taxes and Fees

A domestic corporation (incorporated in New York State) is generally liable for corporate franchise taxes for each fiscal or calendar year, or part thereof, during which it is incorporated, regardless of whether it carries on any activity. For example, a person who intends to go into business organizes a new corporation under the New York Business Corporation Law for the purpose of operating the new business as a corporation. However, the business is never started and the corporation never conducts any business. Under the circumstances, the corporation would usually be liable for franchise taxes for each taxable year until it is formally dissolved with the Department of State.

A foreign corporation (incorporated outside of New York State) is liable for franchise taxes during the period in which it does business, employs capital, owns or leases property or maintains an office in New York. In addition, a foreign corporation which is authorized to do business in New York is also liable for payments of its annual maintenance fee until such time as it surrenders with the Department of State its authority to do business, regardless of whether it does business, employs capital, owns or leases property or maintains an office in the state. The maintenance fee may be taken as a credit against the franchise tax.

The procedure for obtaining a consent to voluntary dissolution and surrender of authority and the forms that are required to be filed with this department are set forth in Publication 110. You can request this information by calling the Business Tax Information Center (see **Need Help?** for the telephone number).

Processible Forms — Returns must be prepared in a manner that will permit their routine handling and processing. Interest will not be paid on an overpayment of taxes until the return is in a processible form.

See Publication 76, *Specifications for Reproduction of New York State Corporation Tax Forms*. For information, see back page.

Use of Reproduced and Computerized Forms

Photocopies of returns are acceptable if they are of good quality and are signed in the proper place.

Computer-produced corporation tax returns will be accepted if they meet our printing specifications. For more information see Publication 76, *Specifications for Reproduction of New York State Corporation Tax Forms*.

Do You Need a Tax Packet?

If you use a paid preparer, or if you use computer software to prepare your return, or if for any other reason you do not need a tax packet mailed to you for next year's taxes, please check the box above the certification and signature. When you check the box, we will send you a mailing label that you or whoever prepares your return should use on your 1997 return. By checking this box, you will help us reduce printing and mailing costs.

Signature — The return must be certified by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer authorized by the taxpayer.

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, the signature of the person and the name, address and identification number of the firm must be included.

Privacy Notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions and forms, is found in Articles 8, 9, 9-A, 13, 19, 27, 32, 33 and 33-A of the Tax Law and 42 USC 405(c)(2)(C)(i).

The Tax Department will use this information primarily to determine and administer corporate tax liabilities under the Tax Law, for certain tax refund offsets, and

for any other purpose authorized by law. Failure to provide the required information may result in civil or criminal penalties, or both, under the Tax Law.

This information will be maintained by the Director of the Data Management Services Bureau, NYS Tax Department, Building 8 Room 905, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829; from areas outside the U.S. and Canada, call (518) 485-6800.

Your Rights Under the Tax Law

The Taxpayer Bill of Rights requires, in part, that the Tax Department advise you, in writing of your rights and obligations during an audit, when appealing a departmental decision and when your appeal rights have been exhausted and you need to understand enforcement capabilities available to the department to obtain payment. For a complete copy of the information contained in all of these statements, you may request Publication 131, *Your Rights and Obligations Under the Tax Law*, by calling toll free 1 800 462-8100. From areas outside the U.S. and Canada, call (518) 485-6800.

Line Instructions for Form CT-3

Whole Dollar Amounts - You may elect to show amounts in whole dollars rather than dollars and cents. Round an amount from 50 cents through 99 cents to the next higher dollar, and round any amount less than 50 cents to the next lower dollar.

Percentages - When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Percentages should be carried out to four decimal places. For example: $5,000/7,500 = .6666666 = 66.6666\%$.

Negative amounts, if any, should be shown in parentheses.

Reporting Period — Your tax year for New York State must be the same as your federal tax year. Use this tax return for tax years beginning in 1996, both calendar and fiscal, and for short periods beginning in 1997 and ending before December 31, 1997. If you are a calendar year filer, check the box in the upper right corner on the front of the form. If you are a fiscal year filer, complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

Principal Business Activity

Enter the one activity that accounts for the largest percentage of total 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 activity code number from your federal return.

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 file federal Form 1120-H, use the amount from line 19.

— If you are a member of a federal affiliated group which files a consolidated return, complete a pro-forma 1120 reporting the

federal taxable income you would have been required to report on a separate federal tax return and attach a copy of the federal consolidating workpaper indicating your separate taxable income before any elimination of intercorporate transactions included in the federal consolidated return.

— 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 federal taxable income (before net operating loss 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 — Form 1120, line 4

Interest — Form 1120, line 5

Gross rents — Form 1120, line 6

Gross royalties — Form 1120, line 7

Capital gain net income — Form 1120, line 8

Charitable contributions — Form 1120, line 19

— If you file Form 1120-F, use the amount from Section II, line 29. Adjustments to worldwide income and loss will be required on line 8 of Form CT-3.

— 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 federal taxable income (before net operating loss and special deductions) were you not exempt. Attach a separate sheet showing how the amount was determined.

Lines 2 through 8 — Additions

— Use lines 2 through 8 to add items that are not included in federal income but must be included in New York State entire net income.

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 federal taxable income 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 entire net income as income from subsidiary capital.

Lines 4a, 4b, 5a and 5b —

Subsidiaries — If you have a subsidiary, you must complete Form CT-3-ATT, Schedule D. If you have subsidiary capital included on Form CT-3-ATT, line 51, column C, complete lines 4a, 4b, 5a, and 5b to report any expenses directly or indirectly attributable to subsidiary capital. Taxpayers should refer to TSB-M-88(5)C for complete details regarding the attribution of interest expenses and TSB-M-95(2) regarding the attribution of noninterest expenses. If you do not have a subsidiary, enter zero on lines 4a, 4b, 5a, and 5b. See definitions of *subsidiary* and *subsidiary capital* below.

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 of 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. 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 Article 9-A, 32 or 33 of the New York State Tax Law.

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

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

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

- interest on debt incurred to buy subsidiary capital;
— salaries of employees engaged in the management, supervision or conservation of subsidiary capital;
— expenses for legal advice relating to the acquisition of subsidiary capital; and
— stewardship deductions relating to subsidiary capital.

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

- investment capital (or to income, losses or gains from investment capital); see Form CT-3-ATT, line 43a or line 43b; or
— business capital (or to income, losses or gains from 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 or corporation are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division or corporation may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Complete lines 5a and 5b if you have subsidiary capital includable on form CT-3-ATT, line 51, column C (otherwise, enter "0" on lines 5a and 5b).

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

Line 5a Worksheet

A. Enter federal interest deductions shown on federal Form 1120, line 18
B. Enter amounts of interest deductions included on line A that are required to be added back to federal taxable income in computing entire net income
C. Balance (subtract line B from line A)
D. Enter amounts of interest deductions that are required to be subtracted from federal taxable income in computing entire net income
E. Total New York interest deductions included in entire net income
F. Enter any interest deduction directly attributable to subsidiary capital included on Form CT-3, line 4a.
G. Enter any interest deductions directly attributable to investment capital included on Form CT-3-ATT, line 43a.
H. Enter any interest deduction directly attributable to business capital.
I. Subtotal (add lines F, G and H)
J. Interest deductions subject to indirect attribution (subtract line I from line E)
K. Enter the amount from Form CT-3-ATT, line 51, column C
L. Enter the amount from Form CT-3, line 30, column C
M. Percentage (divide line K by line L)

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

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

Line 5b Worksheet

A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18)
B. Enter amounts of noninterest deductions included on line A that are required to be added back to federal taxable income in computing entire net income
C. Balance (subtract line B from line A)
D. Enter amounts of noninterest deductions listed below that are required to be subtracted from federal taxable income in computing entire net income
— In the case of a taxpayer organized outside the United States, deductions attributable to income that is not included in federal taxable income but is required to be included in entire net income
— The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to section 280C of the IRC
— Depreciation deductions permitted under Article 9-A with respect to decoupled property pursuant to Tax Law, section 208.9(a)(11) and (12)
— Deductions arising from decoupling from federal safe harbor lease provisions pursuant to Tax Law, section 208.9(a)(10)
— The noninterest deductions taken in computing the amount on Form CT-3, line 2

Enter the Form CT-3 line number and amount below:

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total _____

- E. Total New York noninterest deduction included in entire net income (add lines C and D)
F. Enter noninterest deductions directly attributable to subsidiary capital from Form CT-3, line 4b
G. Enter noninterest deductions directly attributable to investment capital, from Form CT-3-ATT, line 43b
H. Enter noninterest deductions directly attributable to business capital
I. Subtotal (add lines F, G and H)
J. Noninterest deductions subject to indirect attribution (subtract line I from line E; see instructions for line R)
K. Enter gross income attributable to subsidiary capital. Gross income from subsidiary capital is that portion of total gross income consisting of dividends, interest, and gains (but not losses) from subsidiary capital. To determine the amount to enter on line K, take the amount of dividends, interest, and gains reported on Form CT-3-ATT, line 50, and add back any losses used to compute the amount of capital gains from subsidiary capital on line 49.
L. Enter total gross income. For these purposes, total gross income means gross income as defined in Internal Revenue Code section 61, increased by (a) those items described in section 61 that are included in the computation of entire net income by reason of section 208.9(c) of the Tax Law (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under Internal Revenue Code section 103. Gross income is not reduced by any deduction for capital losses or by any other deductions.
M. Income percentage (divide line K by line L)
N. Enter amount from Form CT-3-ATT, line 51, column C
O. Enter amount from Form CT-3, line 30, column C
P. Asset percentage (divide line N by line O)
Q. 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 2 %
b. Enter percentage from line P %
c. Total (add lines a and b) %

d. Subsidiary capital percentage (divide line c by 3) %
R. Amount of noninterest deductions indirectly attributable to 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)

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 and 32. This includes the state tax surcharge and the MTA surcharge. However, do not include New York City taxes. Include the amount deducted for taxes paid or accrued to other U.S. states, their political subdivisions, any foreign country, and the District of Columbia if they 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 — Before making any entry on this line, complete Form CT-399. Include from Form CT-399, line 4, the amount of your federal deduction that must be added back to federal taxable income, or if you disposed of property this year use the amount from line 12, column A. (Enter your recomputed deduction on line 14.)

Line 8 — If you have any of the following other additions to federal taxable income, enter the total amount of those additions and attach a list.

Note: The foreign trade income of a FSC, which is excluded from gross income for federal income tax purposes, is not required to be added back in determining New York State entire net income.

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 federal taxable income. The adjustment for New York gain or loss on qualified New York State property is made on line 23. See additional instructions for line 15, S-1. Attach Form CT-324.

A-2 Worldwide net income and losses: A corporation organized outside the United States must include on this line all income from sources outside the United States, less all allowable deductions attributable to it, that was not included in federal taxable income.

A-3 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 federal taxable income.

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

A-4 If you are a corporation participating in business on the New York Insurance Exchange, you must include the following:

- Your distributive or pro rata share of any item of loss or deduction for federal income tax or any item which you are required to take into account separately for federal income tax.

- Your distributive or pro rata share of the net loss, if any.
Your distributive or pro rata share of the allocated entire net income of such business as determined on Forms CT-33 or CT-33-X under Article 33 of the Tax Law.

See additional instructions for line 15, S-5.

A-5 If your corporation has a safe harbor lease you must include:

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

A-6 In general, you must include on this line up to 5% of certain interest paid by an acquiring corporation, in the year of an acquisition, and for the next three years. Use Form CT-244 to determine if you are liable for this addition and to compute the amount to be entered on this line.

Lines 10 through 16 — Subtractions

Use lines 10 through 16 to subtract items that are included in federal taxable income but should not be included in New York entire net income.

Line 10 — If you have a subsidiary, complete Schedule D of Form CT-3-ATT and enter the amount from Part I, line 50. This amount must include capital gains and any other income and gain from subsidiary capital that was included as part of federal taxable income. 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, line 14). Do not include foreign dividend gross-up under IRC section 78. A DISC does not qualify as a subsidiary.

If a subsidiary's stock or assets (excluding cash and assets disposed of by the subsidiary in the regular course of business) are sold within eighteen months after the date of acquisition, subsidiary capital treatment will not be allowed to the parent.

Line 11 — Enter 50% of the 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, line 14). Include 50% of the dividends received from a money market mutual fund included as investment capital (cash) on Form CT-3-ATT, Schedule C, Part I, line 34. Do not include the following: (1) grossed-up dividends, pursuant to section 78 of the IRC, (2) subsidiary dividends treated as investment income pursuant to Article 9-A, section 208.9(b)(12). For more information, see TSB-M-89(14)C and TSB-M-89(17)C.

Regulated investment companies and REITs do not qualify for this deduction.

Line 12 — Enter foreign dividend gross-up pursuant to section 78 of the IRC (see federal Form 1120, Schedule C, line 15). Entire net

income **does not include** any amount treated as dividends pursuant to section 78 of the IRC (section 208.9(a)(6)).

Line 13 — Enter any New York State net operating loss carried forward from prior years. Attach a separate sheet with full details of both federal and New York State net operating losses claimed. For detailed information on net operating losses, see pages 3 and 4 of these instructions.

Line 14 — In place of the disallowed ACRS and MACRS deduction entered on line 7, you may compute a depreciation deduction by any method permitted under IRC section 167 (as it would have applied to property placed in service on December 31, 1980). For more information see Form CT-399, *Depreciation Adjustment Schedule*. Enter the amount from Form CT-399, line 5, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 12, column B, and attach the form.

Line 15 — If you have any of the following other subtractions from federal taxable income, 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 federal taxable income. The adjustment for New York State gain or loss on qualified New York property is made 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 federal taxable income that are directly or indirectly attributable to those receipts.

S-3 Include any refund or credit of a tax imposed under Article 9-A or Article 32 of the Tax Law, for which no exclusion or deduction was allowed in determining the taxpayer's entire net income for any prior year, or any refund or credit of a tax imposed under section 183, 183-a, 184 or 184-a of the Tax Law. 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 in the computation of your federal taxable income because you claimed a federal jobs credit. Attach a copy of federal Form 5884.

S-5 If you are a corporation participating in business on the New York Insurance Exchange, include the following items:

- Any item of income or gain from the business which you are required to take into account separately for federal income tax.
- Your distributive or pro rata share of the income or gain of the business for federal income tax.

S-6 If your corporation has a safe harbor lease, include the following items:

- Any amount included in your federal taxable income 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 federal taxable income 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.

Line 17 — Subtract line 16 from line 9 to determine your entire net income. Show a loss by using parentheses.

Lines 18 through 24 Entire Net Income Base — The entire net income base is the portion of your entire net income allocated to New York State with certain adjustments. It may consist of both business and investment income.

Use Schedule A, Part I or II, to compute your business allocation percentage.

Use Form CT-3-ATT, Schedule C, Parts I and II, to compute your investment income.

Line 18 — Complete Form CT-3-ATT, Schedule C, Part II and enter the amount of your investment income from line 46. Do not enter more than the amount on line 17. If you had no investment income, enter "0" and do not use Schedule C.

Line 21 — Multiply line 19 by your business allocation percentage from Schedule A, line 115 or 135. If your property, payroll and sales were entirely within New York State, 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 entire net income base.

Line 25 Entire Net Income Base Tax Computation — If you do not qualify as a small business taxpayer, multiply line 24 by 9% (.09). Enter the amount on line 25 and line 68, then continue with line 26.

A corporation qualifies as a small business taxpayer if:

- Its entire net income (before allocation) is not more than \$290,000, and
- The total amount of money and other property it received for stock, as a contribution to capital and as paid-in surplus, is not more than \$1 million as of the last day of its tax year, and
- The corporation is not part of an affiliated group, as defined in IRC section 1504, unless the group itself would have met the above criteria if it had filed a combined return.

Complete lines 106 and 107 if you use the small business taxpayer tax rate.

Small business taxpayers: If you are a qualified small business taxpayer and your entire net income base is \$200,000 or less, multiply line 24 by 8% (.08) and enter the amount on line 25 and line 68.

If your entire net income base is more than \$200,000, your effective tax rate will be between 8% and 9%. The closer the entire net income base comes to \$290,000 the closer the effective tax rate comes to 9%. Your tax is:

1. \$16,000 (\$200,000 times 8%) **plus**
2. 9% of any amount over \$200,000 but not over \$290,000 **plus**
3. an additional 5% of any amount over \$250,000 but not over \$290,000

Use the worksheet below to compute your tax.

Worksheet	
Entire net income from line 24	16,000 A
Subtract 200,000	
Multiply balance by .09 =	B
Subtract 50,000	
Multiply balance by .05 =	C
Tax: Add boxes A, B and C. Enter this amount on lines 25 and 68.	

A small business taxpayer's tax on the entire net income base will never exceed \$26,100.

Lines 26 through 39 Computation

of Capital Base — 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 be included at the value shown on your books in accordance with generally accepted accounting principles. Use lines 26 through 30 to adjust the value of the assets you reported on your federal return.

On lines 26 through 31, 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 26 — Enter your total assets from the balance sheet of your federal tax return.

Line 27 — Enter the federal balance sheet value of any real property and marketable securities included on line 26.

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 for determination of fair market value of real property.

Line 31 — Enter the amount of all liabilities 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 33 — Enter subsidiary capital from CT-3-ATT, Schedule D, Part II, line 52. If you have no subsidiary capital, enter "0."

Line 35 — Enter total investment capital from CT-3-ATT, Schedule C, line 35, column E. If you have no investment capital, enter "0."

Line 38 — If your property, payroll and sales were entirely within New York State, enter the full amount from line 36.

Line 40 — Capital base tax computation: Multiply line 39 by the tax rate of .00178. Enter the amount on line 69, but do not enter more than \$350,000. If you have been taxable in New York State for less than two years, read the instructions for line 69 to see if you qualify as a new small business corporation.

Cooperative housing corporations multiply line 39 by .0004.

Line 41 — Your **issuer's allocation percentage** represents the amount of your capital employed within New York State compared to the total amount of capital employed everywhere. Every taxpayer using Form CT-3 should compute an issuer's allocation percentage. If you do not supply the information needed to compute your issuer's allocation percentage you may have to pay a \$500 penalty.

To determine the percentage, add line 39 (capital base) and CT-3-ATT, Schedule D, line 53 (subsidiary capital base), then divide by the amount on line 32 (total capital). If you have no subsidiaries, divide the line 39 amount by the line 32 amount.

The issuer's allocation percentage used to compute subsidiary capital allocated to New York and 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. You may obtain some of these percentages from tax service publications.

Up to three issuers' allocation percentages may be obtained by calling toll free 1 800 225-5829. From areas outside the U.S. and Canada, call (518) 485-6800. More than three may be obtained only by written request. Make the written request (in duplicate) to:

NYS TAX DEPARTMENT
TAXPAYER ASSISTANCE BUREAU
W A HARRIMAN CAMPUS
ALBANY NY 12227

Lines 42 through 67 Computation of Tax on Minimum

Taxable Income Base — The calculation of minimum taxable income requires the addition to entire net income of two federal tax preference items, the addition or subtraction of certain federal adjustments used to compute federal alternative minimum taxable income, the addition of the New York State net operating loss deduction and the subtraction of the alternative net operating loss deduction. Minimum taxable income is allocated by the use of an alternative business allocation percentage and the regular investment allocation percentage. See Article 9-A, sections 208.8-B, 210.1(c) and 210.3-a and TSB-M-90(13)C.

The tax law also provides for a minimum tax credit, available for use against tax computed on the entire net income 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-3-ATT and instructions.

You must determine a minimum taxable income 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. Enter negative amounts in parentheses.

Line 43 — Enter an amount determined by recomputing the adjustment from line 2a of federal Form 4626 to include only property that is included in the line 2a computation and that is:

- property subject to IRC section 280F,
- property placed in service in New York State in tax years beginning after 1984,
- property placed in service outside of this state in tax years beginning after 1993, or
- property of a taxpayer principally engaged in the conduct of aviation (other than air freight forwarders acting as principal and like indirect air carriers) that was placed in service before tax years beginning in 1989.

If your alternative minimum tax depreciation adjustment on federal Form 4626, line 2a, includes only property placed in service in New York State, enter that amount.

If you were not required to file Form 4626, compute the figure called for on line 2a including only property described in *a*, *b*, *c* and *d* above. Use Form CT-399, lines 13, 14 and 15 to compute the depreciation adjustment for that property.

Attach a copy of Form CT-399 or federal Form 4626 to your return.

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

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

Line 46 — Enter the federal item of adjustment for adjusted basis as determined under section 56(a)(7) of the IRC (from federal Form 4626, line 2e), except 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 section 56(a)(3) of the IRC (from federal Form 4626, line 2f).

Line 48 — Enter the federal item of adjustment for installment sales of certain property as determined under section 56(a)(6) of the IRC (from federal Form 4626, line 2g).

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

Line 50 — Enter the federal item of adjustment for disallowance of passive activity loss as determined under section 58(b) of the IRC (from federal Form 4626, line 2k).

Line 52a — Enter the federal item of preference for depletion as determined under section 57(a)(1) of the IRC (from federal Form 4626, line 2m).

Line 52b — Enter the federal item of preference for the carryover of appreciated property charitable deduction determined under section 57(a)(6) of the IRC (from federal Form 4626, line 2o).

Line 53 — Enter the federal item of preference for intangible drilling costs as determined under section 57(a)(2) of the IRC (from federal Form 4626, line 2p).

Line 55 — Enter the net operating loss deducted in the computation of the entire net income base. This is the amount on Form CT-3, line 13. Include only the maximum amount permitted on Form CT-3, line 13. See pages 3 and 4 of these instructions.

Line 56b — Enter your alternative net operating loss deduction. Attach a separate sheet with full details of the New York State alternative net operating losses claimed. For detailed information see page 4 of these instructions.

Line 58a — To determine the amount of alternative investment income on line 60, you must begin with the amount of investment income included in entire net income (line 18) plus the apportioned net operating loss deduction (CT-3-ATT, line 45). Do not use the amount shown on Form CT-3-ATT, line 44c.

Line 58b — Add those items of adjustment and tax preference derived from investment capital that are not included in entire net income but are included in minimum taxable income (e.g., appreciated property charitable deduction for contributed stock, treated as an item of tax preference).

Line 59 — Apportion any alternative net operating loss deduction claimed on line 56b between business income and investment income. Divide alternative investment income before deduction of any net operating loss (line 58c) by minimum taxable income before deduction of any net operating loss (line 56a). Multiply the result by the alternative net operating loss deduction from line 56b and enter the amount on this line.

Line 60 — Alternative investment income is the sum of investment income and that portion of minimum taxable income that consists of income from investment capital that was not included in entire net income.

Line 67 — Multiply the amount on line 66 by $3\frac{1}{2}\%$ (.035).

Lines 68 through 93 Computation of Tax

Line 69 — Enter the tax computed on your capital base from line 40. Do not enter more than \$350,000.

A new small business corporation may claim an exemption from the tax on the capital base for its first two tax years if it meets the requirements below. If you are claiming this exemption, enter "0" on line 69 and check the box indicating the year for which the exemption is taken. You will continue to be liable for the highest tax computed on lines 67, 68, or 70, in addition to the tax on line 72. Attach a separate sheet covering all points listed below. If you do not supply the information, the exemption will be disallowed.

Do not confuse this definition with the definition of a small business taxpayer on line 25.

To qualify, the corporation must meet the federal definition of a small business corporation (IRC section 1244(c)(3) disregarding the second sentence of subparagraph (A)). The requirements are:

- The total amount of money and other property the corporation received for stock, as

a contribution to capital and as paid-in surplus, may not be more than \$1 million on the last day of its tax year.

- It cannot be similar in ownership and operations to a business now taxable or previously taxable under New York State Tax Law, Article 9 (section 183, 184, 185 or 186), 9-A, 22, 32 or 33 (or a business entity which had income or losses includable under Article 22 or which would have been taxable under Article 23 had that article not been repealed).
- 90% of the corporation's assets and 80% of its employees must be located in New York State.
- It cannot have as a shareholder a corporation that owns over 50% of its voting stock, and that is taxable under Article 9 (section 183, 184, 185 or 186), Article 9-A, 32 or 33, unless the corporation itself qualifies as a small business corporation.

Line 70 Fixed Dollar Minimum Tax

The fixed dollar minimum tax consists of four levels and is determined by the corporation's gross payroll, total receipts and average value of gross assets.

For a corporation with a gross payroll of:	The fixed dollar minimum tax is:
— \$6,250,000 or more.....	\$1,500
— less than \$6,250,000 but more than \$1,000,000	\$425
— \$1,000,000 or less.....	\$325
— Gross payroll, total receipts and average value of gross assets are each \$1,000 or less	\$800

Enter your gross payroll, total receipts and gross assets in the appropriate boxes.

To avoid an erroneous assessment or a delay in your refund, you **must** enter an amount in each of the three boxes provided on Form CT-3, line 70. If you do not have gross assets, gross payroll or total receipts, enter "0" in the appropriate boxes.

Gross payroll — The total wages, salaries, and other personal services compensation of all employees including general executive officers wherever located. For a period of less than 12 months, annualize gross payroll by dividing it by the number of months in the short period and multiplying the result by 12.

Use the total amounts shown on federal Form 1120 or Form 1120-A, lines 12 and 13, including any employment credits deducted on line 13, plus any wages included in the cost of goods sold, Form 1120, Schedule A, line 3.

Total receipts — 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. These items can be found on federal Form 1120 or 1120-A, Income Section, lines 1c, 6, 7 and 10.

Do not include any nonbusiness dividends, nonbusiness interest, or business or investment gains or losses.

Average value of gross assets — The average fair market value of real property and marketable securities plus all other property at the value shown on your books, in accordance with

generally accepted accounting principles. Use the amount from Form CT-3, line 30, column C.

Line 71 — Enter the amount from line 67, 68, 69 or 70, whichever is largest. Small business taxpayer exception: if line 69 (tax on capital base) is larger than line 68 (tax on entire net income base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 67, 68 or 70.

Taxable DISCs must enter the larger of lines 69 or 70. Real estate investment trusts and regulated investment companies must enter the amount from line 67, 68 or 70, whichever is largest.

Line 74 — Complete line 94 and enter the total amount of the tax credit that you are claiming. When claiming more than one credit you must apply them against your tax in the order listed below.

Tax credits, except the credit for servicing mortgages, cannot reduce your tax below the higher of the fixed dollar minimum tax or the tax on the minimum taxable income base.

1. Eligible business facility credit (Form CT-45)
2. Tax Credit for Servicing Mortgages (section 210.21-a) may only be claimed by mortgage bankers. If you claim this credit you must submit a copy of the letter from the New York State Mortgage Agency approving the credit. This credit can reduce the tax to zero. Enter amount in the space provided on Form CT-3.
3. Economic development zone wage tax credit (Form DTF-601)
4. ZEA wage tax credit (Form DTF-601.1)
5. Investment tax credit (Form CT-46)
6. Additional investment tax credit (Form CT-46)
7. Employment incentive tax credit (Form CT-46)
8. Economic development zone capital tax credit (Form DTF-602)
9. Economic development zone investment tax credit (Form DTF-603)
10. Economic development zone employment incentive tax credit (Form DTF-603)
11. Minimum tax credit (Form CT-3-ATT, Schedule B)
12. Special additional mortgage recording tax credit (Form CT-43 or Form CT-43.1)

Mergers, Acquisitions and Consolidations — In general, the tax credits of a target corporation cannot be used by the acquiring corporation. See Form CT-244.

Indicate which credits you are claiming on line 94. Attach copies of all forms and schedules used.

Line 75 — If your tax credits are more than the tax shown on line 73, enter "0."

Line 77 — The franchise tax is the larger of line 75 or 76. However, if the total on line 75 is less than the total on line 76 because of the application of the credit for servicing mortgages (available only to mortgage bankers), enter the amount from line 75.

Line 78 Computation of State Tax Surcharge — Enter the appropriate state tax surcharge rate from the chart below in the box

on line 78 and compute your state tax surcharge using the worksheet below.

The state tax surcharge rates are:

	For Tax Years Ending	After and Before	Maximum number of months surcharge imposed
7½%	6/30/95	7/1/96	12
2½%	6/30/96	7/1/97	12

Worksheet for State Tax Surcharge

A. State tax surcharge rate which applies to this return (see chart above)..... %

B. Maximum number of months for which the state tax surcharge percentage on line A is imposed (see chart above).....

C. Number of months for which the state tax surcharge percentage on line A has been paid.....

D. Number of months still subject to the state tax surcharge percentage on line A (subtract line C from line B.)
 - If line D is zero, **stop** here and enter "0" on line 78 of the return.....

E. Number of months covered by this return.....
 - If line E is less than or equal to line D, **stop** here and multiply the franchise tax on line 77 by the state tax surcharge percentage on line A; enter this amount on line 78 of the return.
 - If line E is more than line D, complete lines F through I.

F. Proration percentage (divide line D by line E) . . . %

G. Franchise tax from line 77 of the return.....

H. Franchise tax subject to the state tax surcharge (multiply line G by line F).

I. State tax surcharge after proration (multiply line H by the state tax surcharge rate on line A). Enter this amount on line 78 of the return.

Line 80a — If you have filed a request for extension, enter the amount from Form CT-5.

Line 80b — If you did not file Form CT-5 and the amount on line 79 (tax and state tax surcharge) is more than \$1,000, you must pay a mandatory 25% first installment for the period following that covered by the return.

Line 83 — If line 82 is smaller than line 81, subtract line 82 from line 81. This is the balance of tax due. If line 82 is larger than line 81, enter "0" on line 83.

Line 84 — If you underpaid your estimated tax, use Form CT-222, *Underpayment of Estimated Tax by a Corporation*, to compute the penalty. Attach Form CT-222. Check the box and enter the penalty on this line.

Lines 85 and 86 — If you are not filing this return on time, you must pay interest and additional charges. (See instructions on page 3.)

Lines 87b and 87c — If you want to return a gift to wildlife, enter the amount of your gift on line 87b. If you want to make a gift to breast cancer research and education, enter the

amount of your gift on line 87c. 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.

Lines 89 through 92 — You may apply an overpayment as a credit 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 amounts you wish transferred as credits or refunded.

Line 93 — If you claim a refund of unused investment tax credit from Form CT-46, special additional mortgage recording tax credit from Form CT-43.1, EDZ wage tax credit from Form DTF-601 or DTF-601.1 or EDZ investment tax credit from Form DTF-603, check the refund box on page 1. Enter the total amount and attach the appropriate tax credit forms. Do not include this amount in the total tax credits claimed on lines 74 and 94.

Line 94 — Enter in the appropriate space the amount of any tax credits that you are claiming.

Line 101 — Every corporation involved in a merger, acquisition or consolidation since April 19, 1989, must check the *Yes* box on this line. Any corporation not involved in such a transaction should check the *No* box. You are required to attach Form CT-244, *Acquisition, Merger, and Consolidation Information Report*, with your return for the year in which the merger, acquisition, or consolidation occurred, and for the three subsequent years. For additional information, see TSB-M-89(17)C or Form CT-244-I, the instructions for Form CT-244.

Lines 102 and 103 Real Property Gains Tax

— Article 31-B of the Tax Law was repealed effective June 15, 1996. However, any corporation with an interest in real property located in New York State must keep a record of the transfer of its stock and report every transfer of a controlling interest in its stock that occurred prior to June 15, 1996. The corporation must also provide any other information required to enforce Article 31-B (Article 31-B, section 1449-a, Tax on Gains Derived from Certain Real Property Transfers).

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

Answer both questions. 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 104 and 105 Interest Paid to Shareholders

— Corporations that made interest payments, deducted in computing entire net income, 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)).

Lines 106 and 107 Small Business

Taxpayer — If you used the small business tax rate on line 25 you must complete this line to show that your corporation qualifies for the lower tax rate. Use the worksheet below to determine the amount to enter on line 107.

	No. of Shares	Amount
Par value stock		
No par stock		
Contributions to capital & paid-in surplus		
Total Capital Contributions - Enter on line 107		

A corporation qualifies if:

- Its entire net income (before allocation) is not more than \$290,000,
- The total amount of money and other property it received for stock, as a contribution to capital and as paid-in surplus, is not more than \$1 million on the last day of its tax year, and
- The corporation is not part of an affiliated group, as defined in IRC section 1504, unless the group itself would have met the above criteria if it had filed a combined return.

If you qualify, provide the information requested in this section. Use your balance sheet amounts for stock and other paid-in capital.

Federal Returns — Indicate which type of federal return you filed and list any years during the past five for which you were audited by the IRS.

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.

Schedule A Computation of Business Allocation Percentage and Alternative Business Allocation Percentage for Minimum

Taxable Income Base — Use Schedule A to allocate your business income (a component of entire net income) and business capital. Foreign airlines should consult TSB-M-94(2)C before completing Schedule A. See page 4 of these instructions for special information on foreign airlines.

The election to allocate all income and capital as either investment or business was repealed. If you have both types of income or capital, you must complete Schedule A and Form CT-3-ATT, Schedule C, Parts I and II.

If your property, payroll and sales were entirely within New York State, you do not need to complete Schedule A.

If you claim a business allocation percentage of less than 100%, you must complete Schedule A.

You allocate by multiplying business income or business capital by your business allocation percentage.

Part I is used by aviation corporations to compute the business allocation percentage. Three factors are averaged: aircraft arrivals and departures, revenue tons handled, and originating revenue. This percentage is used to allocate business income, when determining both the entire net income base and the minimum taxable income base, and business capital when computing the capital base.

In Part II the business allocation percentage is computed by averaging four factors: property, payroll and business receipts (the business receipts factor is included twice). This percentage is used to allocate business income when computing the entire net income base and is used to allocate business capital when computing the capital base.

In Part III the alternative business allocation percentage is computed by averaging four factors: property, payroll and business receipts (the business receipts factor is included twice). The factors are determined using the same rules that apply to Part II, except that any factor used to determine the alternative business allocation percentage must be adjusted to reflect modifications made in the computation of minimum taxable income (lines 42 through 57), which may change an amount used in a particular factor. For example, a depreciation modification would change the amounts used in computing the property factor. The Part III alternative business allocation percentage is used to determine the minimum taxable income base only.

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 does not apply to corporations included in a combined return unless all of the corporations included in the return make the election.

If you are attributing property or wages outside New York State, attach a separate sheet listing:

- Number, location and duties of your employees located outside New York State.
- Location of real and tangible personal property and a description of how that property is used.

Schedule A, Part I Computation of Business Allocation Percentage for Aviation Corporations

Line 108 — Enter the number of landings and takeoffs of an aircraft of an aviation corporation and the number of pickups and deliveries by the aircraft. Arrivals and departures for maintenance, repair, refueling (where no debarkation or embarkation of traffic occurs), training, emergencies, and nonrevenue flights should not be included.

Line 110 — 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.

Line 112 — Enter revenue from the transportation of revenue passengers and revenue property first received as originating or connecting traffic.

Schedule A, Part II Computation of Business Allocation Percentage

Lines 116 through 132 — Enter the New York State amounts in column A and the total amounts in column B.

Line 116 — 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.

Line 117 — 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, repairs, etc.) and amortization of leasehold improvements that revert to the lessor at the end of the lease.

Line 118 — Enter the average value of inventories.

Line 119 — 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.

Line 120 — 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 123 and 124 — Enter receipts from the sale of tangible personal property.

Line 125 — Enter receipts for services performed, based on where they are performed. 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 - For tax periods beginning in 1989 and after, 100% of 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.

Receipts for services performed by air freight forwarders acting as principal and like 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

The Arts and Cultural Affairs Law has been amended to provide 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 amendment applies to works of art which 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 amendment does not apply to consigned works of art sold at a public auction.

Line 126 — Enter receipts from all property you rented to others. Rental receipts are attributable to the location of property.

Line 127 — Enter receipts from royalties, allocated where earned.

Line 128 — Enter all other business receipts, allocated where earned.

Line 131 — An additional receipts factor must be included in the computation of the business allocation percentage. Enter the same percentage computed on line 130 (section 210.3(a)(4)).

Line 132 — Enter the total amount of all wages and 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 inside 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.

Line 135 — If a factor is missing, add the remaining factors and divide by the total number of factors present. If all but one factor are missing, the remaining factor is the allocation percentage. A factor is missing only if both column A and column B are zero.

Example

Computation of allocation percentage for business income and capital:

	CORP. A	CORP. B	CORP. C
Property factor	80%	60%	60%
Receipts factor	20%	30%	30%
Add'l receipts factor	20%	30%	30%
Payroll factor	60%	0%	None*
Total	180%	120%	120%
Divided by	4	4	3
Allocation percentage for business income and capital	45%	30%	40%

* In the example above, Corporation C has no payroll factor since it has no employees either inside or outside New York State. Corporation B has no employees in New York State but has employees outside New York State.

Schedule A, Part III Computation of Alternative Business Allocation Percentage for Minimum

Taxable Income Base — If you entered zeros on lines 43 through 50 and 52 through 54 you may use the same percentages determined in Schedule A, Part II.

If you made entries on lines 43 through 54 that altered an item used to compute the property or receipts factors in Schedule A, Part II, you must make appropriate changes when determining the alternative business allocation percentage for allocating the alternative business income on line 62 and Form CT-3-ATT, Schedule B, Part I, line 6.

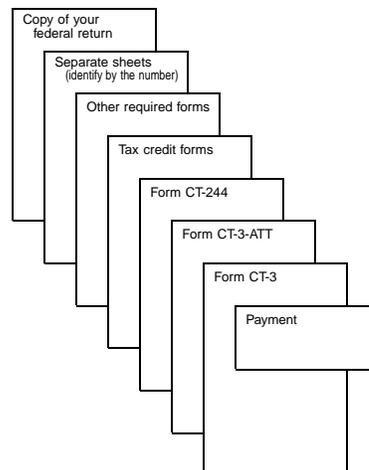
Line 150b — An additional receipts factor must be included in the computation of the alternative business allocation percentage. Enter the same percentage computed on line 150a (Tax Law section 210.3-a(a)).

Line 154 — If either the property, receipts or payroll factor is missing, add the remaining factors and divide by the total number of factors present. If all but one factor are missing, the remaining factor is the allocation percentage. A factor is missing only if both column A and column B are zero.

Computation of the allocation percentage for the minimum taxable income base is similar to the computation of the allocation percentage for business income and capital. See the example for line 135.

When preparing and mailing your 1996 corporate franchise tax return, please be sure to:

- Use the preaddressed label. It will assist in the proper recording of your franchise tax return.
- If you are not using the label, include your employer identification number and file number on each form filed. These numbers can be copied directly from the label.
- Have the appropriate individuals sign the return.
- Make your check payable to: **New York State Corporation Tax.**
- Attach a complete copy of your federal return.
- Attach Forms CT-3-ATT and CT-244 and any other schedules and tax credit claim forms used to compute your tax.
- Assemble your return and attachments this way:



Mail to: NYS CORPORATION TAX
PROCESSING UNIT
PO BOX 1909
ALBANY NY 12201-1909

Instructions for Form CT-3-ATT — Schedules B, C and D

Schedule B, Part I Computation of Adjusted

Minimum Tax — Complete lines 1 through 18 only if your tax due, shown on Form CT-3, line 77, is based on the minimum taxable income base. Many of the amounts used in Part I will be found in other schedules throughout Forms CT-3 and CT-3-ATT. The figure entered on line 18 may be used to compute your minimum tax credit in future years. If your tax due is not based on the minimum taxable income, enter "0" on this line.

Line 11 — Multiply the amount on line 10 by 3½% (.035).

Schedule B, Part II — Computation of Minimum Tax Credit Lines 19 through 21 —

Enter the year in column A and the amount of adjusted minimum tax in column B for each year, beginning after 1989, in which your tax was based on the minimum taxable income base. The adjusted minimum tax for prior years may be found on Form CT-3-ATT as follows:

Year(s)	Line
1990 and 1991	48
1992 and 1993	22
1994 and 1995	18

If you computed adjusted minimum tax from tax years beginning in 1990, 1991, 1992 or 1993, and if you had an add back for a net operating loss, you must complete column C to compute your NOL component. To compute the net operating loss (NOL) component, recalculate the adjusted minimum tax (from Form CT-3-ATT, line 48 or 22, whichever year applies), but without the add back of the net operating loss deduction. Enter the result in column C. Subtract the amount in column B from column C to determine your NOL component. If a net operating loss deduction was not added back for any of the years listed, make no entry in column C and enter "0" on line 21, column D.

Schedule B, Part III Application of Minimum Tax Credit —

The minimum tax credit can be used to reduce your franchise tax only if the tax is based on your entire net income base. The amount of credit is the adjusted minimum tax computed in Schedule B, Part I, for all prior years, less any amount used as a minimum tax credit in prior tax years.

Line 24 — Enter the minimum tax credit used in prior periods related to columns A and B respectively.

Line 25 — Column A — Subtract line 24 from line 22.

Column B — Subtract line 24 from line 23.

Line 26 — Column A — Enter amount from column A, line 25

Column B — Multiply the amount shown in column B, line 23 by 20% (.20).

Line 27 — If your franchise tax for this tax year is based on your entire net income base, from the total credit available (line 26, column C), enter the amount that will, after applying all other tax credits, reduce your tax to the higher of the fixed dollar minimum tax or the tax on the minimum taxable income base. Enter a breakdown of the credit used in columns A and B, by applying the amount of the available Pre-1994 NOL component (line 26, column B) first and the adjusted minimum tax from prior years (line 26, column A) second.

Schedule C, Part I Computation of Investment Capital and Investment

Allocation Percentage — 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 section 208.1 of the Tax Law;
- (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 foregoing;
- (3) qualifying corporate debt instruments (see Section I);
- (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* on page 14) 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; or
- (5) stock rights and stock warrants not in the possession of the issuer.

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. See Tax Law section 208.4. Debt instruments issued by a subsidiary are also not subsidiary capital if the subsidiary claimed and deducted interest on the instruments for purposes of Article 9-A, 32 or 33 of the Tax Law;
- (3) securities of an individual, partnership, trust or other nongovernmental entity that is not a corporation pursuant to section 208.1 of the Tax Law (such as FNMA and 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 section 860D of the IRC;
- (6) futures and forward contracts; and

- (7) stocks, bonds and other securities held by the taxpayer for sale to customers in the regular course of business.

If you own a stock, bond or other security that is subject to a repurchase agreement, include this instrument as investment capital. Do not include if it is held as collateral. See regulation section 3-4.2(f) for a full discussion of securities held subject to a repurchase agreement.

Column A categorizes investment capital into two sections:

Section I - Corporate and governmental debt instruments

Section II - Corporate stock, stock rights, stock warrants and options

Section I — Columns A through G

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* on page 14.

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 which 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, when 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 (i) the obligor is the recipient of the funds, (ii) the taxpayer is principally engaged in the business of lending funds, and (iii) 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 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 which 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:

- (1) if payable on demand;
- (2) if payable by its terms within 6 months and 1 day from the date the debt was incurred; or
- (3) if payable by its terms more than 6 months and 1 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 which is not more than 6 months and 1 day prior to the maturity date (see Examples).

Cash, under certain circumstances, may be treated as investment capital. See instructions for line 34.

Examples

1. A calendar year taxpayer owns a municipal bond with a maturity date of 1/31/95. As of 7/30/94, 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 I, 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 7/30/94. The value of the bond should then be treated as cash for each day the taxpayer continues to own the bond after 7/29/94.
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 1/2/95. The taxpayer also owns corporate stock, but has no cash at any point during the 1994 tax year. The bond is deemed to be cash as of 7/1/94, the date six months and one day prior to maturity. The fair market value of the bond is \$95,000 on 3/31/94, \$90,000 on 6/30/94, \$98,000 on 9/30/94 and \$100,000 on 12/31/94. The bond should be listed in Section I, column A, because it qualifies as investment capital. Its average value, to be stated in column C of Section I, is computed as $(\$95,000 + \$90,000 + 0 + 0) \div 4 = \$46,250$. 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 $(0 + 0 + \$98,000 + \$100,000) \div 4 = \$49,500$. 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 $(\$10,000 + \$12,000 + 0 + 0) \div 4 = \$5,500$, to be entered in column D of Section I, and an average liability of \$3,500 $(0 + 0 + \$8,000 + \$6,000) \div 4 = \$3,500$ 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 34, column C and \$3,500 on line 34, column D. If the election to treat the deemed cash as investment capital is not made, the \$49,500, reduced by \$3,500, would constitute business capital.

4. A taxpayer purchased a debt instrument, includable in Section I, with a maturity date of 12/15/94. 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 6/14/94.

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 generally accepted accounting principles (GAAP). (See Example 3 on this page.)

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 on this page.)

Use the following worksheet to determine the amount of liabilities indirectly attributable to a particular asset.

Worksheet	
Total liabilities	A _____
Liabilities directly attributable to:	
Subsidiary capital	B _____
Investment capital	C _____
Business capital	D _____
Add lines B, C and D	E _____
Subtract line E from line A	F _____
Enter amount from Schedule C, line 35, column C	G _____
Enter amount from Form CT-3, line 30, column C	H _____
Divide line G by line H	I _____%
Multiply line F by line I	J _____
Value of the particular asset	K _____
Enter amount from line G	L _____
Divide line K by line L	M _____%
Enter amount from line J	N _____
Multiply line M by line N	O _____

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.

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. For information, see the instructions for Form CT-3, line 41. The issuer's allocation percentage on government bonds listed in Part I is 0%.

Up to three issuer's allocation percentages may be obtained by calling toll free 1 800 225-5829. From areas outside the U.S. and Canada, call (518) 485-6800. More than three may be obtained only by written request. Make the written request (in duplicate) to:

NYS TAX DEPARTMENT
TAXPAYER ASSISTANCE BUREAU
W A HARRIMAN CAMPUS
ALBANY NY 12227

Issuer's allocation percentages are now available on some electronic and print tax services.

Column G — Determine the value of each investment in column A by multiplying each item in column E by the issuer's allocation percentage listed in column F.

Section II — Columns A through G

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 above;
- units in a publicly traded partnership treated as a corporation for purposes of Article 9-A of the Tax Law;
- business trust certificates;
- stock rights and stock warrants not in the possession of the issuer; and
- other corporate equity instruments similar to stock.

Columns C through G - See instructions for Section I, columns C through G.

Line 33 — The investment allocation percentage is computed without the addition of cash on line 34.

Line 34 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.

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 (i.e., a "money market" fund). Cash also includes debt instruments deemed cash, see *Instruments Deemed Cash* above.

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

**Schedule C Part II —
Computation of Investment
Income for Allocation —**

Complete this schedule if you are allocating part of your entire net income by using an investment allocation percentage from Schedule C, Part I. Investment income is income from investment capital to the extent it is included in entire net income, less any deductions allowable in computing entire net income that are attributable to investment capital or investment income, and less a portion of any net operating loss deduction allowable in computing entire net income.

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 entire net income. Professional services corporations (Article 15 or 15-A BCL) must use an investment allocation percentage of 100% (section 210.3(b)(3)).

Line 36 — Enter interest income received from investment capital listed in Schedule C, Part I, Section I, column A, to the extent included in entire net income.

Line 37 — Enter interest income received from bank accounts (cash) if included on line 34. Include interest income received from a savings account, checking account, time deposit account (i.e., 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 33 is zero. In that case, this interest will be allocated by the business allocation percentage as part of business income.

Line 38 — Enter interest income from debt instruments deemed cash, if included on line 34.

Line 39 — Enter dividend income received from investment capital listed in Schedule C, Part I, Section II, column A, or dividend income received from money market mutual funds included as cash on line 34, to the extent included in entire net income. Include the following:

- 50% of dividends received from money market mutual funds included as cash on line 34. Fifty percent of these dividends were deducted on Form CT-3, line 11.
- 50% of dividends received from nonsubsidiary stock which meets the holding requirements of IRC section 246(c). Fifty percent of these dividends were deducted on CT-3, line 11;
- 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, line 14). See TSB-A-87 (23.1)C for additional information;
- 100% of dividends received from nonsubsidiary stock that did not meet the holding requirements of IRC section 246(c); and
- 100% of dividends received from the stock of a target corporation (if you were required to file Form CT-244, check the acquisition box and answer Yes on line 15 or 16). See Tax Law, sections 208.4, 208.9(b)(12) and 208.9(b)(14).

Line 40 — Enter any net capital gains or losses from the sale and exchange of securities constituting investment capital, that were used in computing federal taxable income.

Line 41 — Other items of investment income include but are not limited to the following:

- premium income from an unexercised covered call option, if the item which covers the call is an asset constituting investment capital;
- interest income from a target corporation or capital gain or loss of a target corporation (if you were required to file Form CT-244, check the acquisition box and answer Yes on lines 15 or 16). See Tax Law, section 208.4 and 208.9(b)(13).

Lines 43a, 43b, 44a and 44b

Taxpayers should refer to TSB-M-95-(2)C for information regarding lines 43a, 43b, 44a and 44b.

Complete lines 43a and 43b if you have investment capital includable on Form CT-3-A-ATT, line 35, column C (otherwise, enter "0" on lines 43a and 43b).

Line 43a — Enter the amount of interest deductions allowable in the computation of entire net income (i.e., includable in the amount on *Line 44a Worksheet*, line E) that are **directly** attributable to investment capital (or to income, losses or gains from investment capital).

Line 43b — Enter the amount of **noninterest** deductions allowed in the computation of entire net income (i.e., includable in the amount on *Line 44b Worksheet*, line E) that are **directly** attributable to investment capital (or to income, losses or gains from investment capital).

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

- interest on debt incurred to buy 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 investment capital.
- investment counsel fees
- custodian fees
- the cost of insurance and fidelity bonds covering investment capital
- expenses for legal advice relating to the acquisition of investment capital

Do not include on lines 43a or 43b interest deductions or noninterest deductions that are directly attributable to:

- subsidiary capital (or income, losses or gains from subsidiary capital) see Form CT-3, lines 4a and 4b; or
- business capital (or income, losses or gains from 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 or corporation are directly attributable to a particular class of capital or income, 100% of the noninterest deductions of that division or corporation may be directly attributed to that class of capital or income. See section IV of TSB-M-95(2)C for details.

Lines 44a and 44b — Complete line 44a and 44b if you have investment capital includable on Form CT-3-ATT, line 35, column C. Otherwise, enter "0" on lines 44a and 44b.

Line 44a — Enter the amount of **interest** deductions that are **indirectly** attributable to investment capital, or to income, gains or losses from investment capital, from *Line 44a Worksheet*, line N.

If you completed the *Line 5a Worksheet* on page 6 of these instructions, skip lines A through I below and enter on line J the amount from the *Line 5a Worksheet*, line J.

Line 44a Worksheet

- A. Enter federal interest deductions included on federal Form 1120, line 18 _____
- B. Enter amounts of interest deductions included on line A that are required to be added back to federal taxable income in computing entire net income (other than the amount on Form CT-3, lines 4a and 5a); for example, interest deductions taken in computing an amount included on Form CT-3, line 15.

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

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total _____
- C. Balance (*subtract line B from line A*) _____
- D. Enter amounts of interest deductions that are required to be subtracted from federal taxable income in computing entire net income (for example, the interest deductions taken in computing the amount on Form CT-3, line 2 or amounts related to foreign source income not included on federal Form 1120). _____

Enter the Form CT-3 line number and amount below.

Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total _____
- E. Total New York interest deductions included in entire net income (*add lines C and D*) _____
- F. Enter any interest deduction directly attributable to subsidiary capital from Form CT-3, line 4a _____
- G. Enter any interest deductions directly attributable to investment capital from Form CT-3-ATT, line 43a. _____
- H. Enter any interest deductions directly attributable to business capital. _____
- I. Subtotal (*add lines F, G and H*) _____

- J. Interest deductions subject to indirect attribution (subtract line I from line E) _____
- K. Enter the amount from Form CT-3-ATT, line 35, column C _____
- L. Enter the amount from Form CT-3, line 30, column C _____
- M. Percentage (divide line K by line L) _____ %
- N. Amount of interest deductions indirectly attributable to investment capital (multiply line J by line M; enter this amount on line 44a) _____

Line 44b — Enter the amount of **noninterest** deductions that are **indirectly** attributable to investment capital, or to income, gains or losses from investment capital, from *Line 44b Worksheet*, line R.

If you completed the *Line 5b Worksheet* on pages 6 and 7 of these instructions, skip lines A through I below and enter on line J the amount from the *Line 5b Worksheet*, line J.

Line 44b Worksheet

- A. Enter federal noninterest deductions included on federal Form 1120, line 27 (excluding the amount from federal Form 1120, line 18) _____
- B. Enter amounts of noninterest deductions included on line A that are required to be added back to federal taxable income in computing entire net income (other than the amounts on Form CT-3, 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 amount was subtracted in computing entire net income for prior taxable years that began on or after January 1, 1987

Enter the Form CT-3 line number and amount below.
Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total _____
- C. Balance (subtract line B from line A) _____
- D. Enter amounts of noninterest deductions listed below that are required to be subtracted from federal taxable income in computing entire net income — In the case of a taxpayer organized outside the United States, deductions attributable to income that is not included in federal taxable income but is required to be included in entire net income (e.g., foreign source income) (Section 208.9(c); see also 20 NYCRR 3-2.3(a)(9))

- The portion of wages and salaries paid or incurred for the tax year for which a deduction is not allowed pursuant to section 280C of the IRC (Section 208.9(a)(7))
- Depreciation deductions permitted under Article 9-A with respect to **decoupled** property pursuant to Tax Law, section 208.9(a)(11) and (12)
- Deductions arising from **decoupling** from federal safe harbor lease provisions pursuant to Tax Law, section 208.9(a)(10)
- The noninterest deductions taken in computing the amount on Form CT-3, line 2

Enter the Form CT-3 line number and amount below.
Line # _____ Amount _____
Line # _____ Amount _____
Line # _____ Amount _____ Total _____

- E. Total New York noninterest deductions included in entire net income (add lines C and D) _____
- F. Enter noninterest deductions directly attributable to subsidiary capital from Form CT-3, line 4b _____
- G. Enter noninterest deductions directly attributable to investment capital from Form CT-3-ATT, line 43b _____
- H. Enter noninterest deductions directly attributable to business capital _____
- I. Subtotal (add lines F, G and H) _____
- J. Noninterest deductions subject to indirect attribution (subtract line I from line E; see instructions for line R) _____
- K. Enter gross income attributable to investment capital. Gross income from 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 total investment income reported on Form CT-3-ATT, line 42, and add back any dividends excluded on Form CT-3, line 11, and any losses used to compute the amount of capital gains from investment capital on Form CT-3-ATT, line 40. _____
- L. Enter total gross income. For these purposes, total gross income means gross income as defined in Internal Revenue Code section 61, increased by (a) those items described in section 61 that are included in the computation of entire net income by reason of section 208.9(c) of the Tax Law (relating to foreign source income), and (b) interest on state and local bonds excluded from gross income under Internal Revenue Code section 103. Gross

- income is not reduced by any deduction for capital losses or by any other deductions. _____
- M. Income percentage (divide line K by line L) _____ %
- N. Enter amount from Form CT-3-ATT, line 35, column C _____
- O. Enter amount from Form CT-3, line 30, column C _____
- P. Asset percentage (divide line N by line O) _____ %
- Q. Investment capital percentage (If Line L is zero, the investment capital percentage is equal to the asset percentage. If line O is zero, the investment capital percentage is equal to the income percentage.)

a. Enter percentage from line M _____ % ; multiply by 2 _____ %
b. Enter percentage from line P _____ %
c. Total (add lines a and b) _____ %
d. Investment capital percentage (divide line c by 3) %
- R. Amount of noninterest deductions indirectly attributable to 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 44b. _____

Line 45 — Apportion any net operating loss deduction claimed on Form CT-3, line 13, between business income and investment income. Divide investment income before deduction of any net operating loss by entire net income before deduction of any net operating loss. Multiply the result by the net operating loss deduction.

Schedule D — Complete this schedule if you have any subsidiaries. A subsidiary is a corporation of which the taxpayer owns more than 50% of the total number of shares of the corporation's voting stock, issued and outstanding. A DISC is not a subsidiary.

Schedule D, Part I — Income Attributable to Subsidiary Capital Lines 47 through 49 — Enter interest, dividends and capital gains attributable to subsidiary capital. In addition, include on line 49 items such as collapsible corporation gain and sale of subsidiary capital which is not a capital asset for federal tax.

Schedule D, Part II — Computation and Allocation of Subsidiary Capital Base and Tax — 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.

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 other items of subsidiary capital using generally accepted accounting principles.

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 following worksheet to determine the amount of liabilities indirectly attributable to a particular asset.

Worksheet	
Total liabilities	A _____
Liabilities directly attributable to:	
Subsidiary capital	B _____
Investment capital	C _____
Business capital	D _____
Add lines B, C and D	E _____
Subtract line E from line A	F _____
Enter amount from line 51, column C	G _____
Enter amount from Form CT-3, line 30, column C	H _____
Divide line G by line H	I _____ %
Multiply line F by line I	J _____
Value of the particular asset	K _____
Enter amount from line G	L _____
Divide line K by line L	M _____ %
Enter amount from line J	N _____
Multiply line M by line N	O _____

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.

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, line 41.

Column G — Multiply net average value, column E, of each item listed in column A by its issuer's allocation percentage in column F. This is the value of subsidiary capital allocated to New York State.

Line 54 — Multiply line 53 by the tax rate of .0009. This is your subsidiary capital base tax. Enter this amount in the money column on Form CT-3, line 72b.

Imagine hundreds of creatures that sprint, swim, fly or slither. That is exactly how diverse New York's fish and wildlife species are. You, too, can take an active part in ensuring the fish and wildlife diversity in New York State.

Picture yourself involved in learning about the wildlife in New York State, observing various fish and wildlife resources and helping to restore and manage them to benefit both wildlife and people.

This can be done when you *Return a Gift to Wildlife* on your New York State tax form. Also, remind your tax preparer that you wish to contribute to this worthwhile program. Remember to *Return a Gift to Wildlife*, the program dedicated to conserving New York's fish and wildlife diversity.

For additional program information or to donate directly, please write to:

Return a Gift to Wildlife, NYS DEC, Room 122, Program 5, 50 Wolf Road, Albany NY 12233-4830.



Breast Cancer Research and Education Fund

In New York State, about 3,700 women die each year from breast cancer. Now you can make a contribution on your New York State tax return and join the fight against this dreaded disease.

Your contribution will enhance public awareness of the need for early detection, and support medical research into the causes of breast cancer and effective medical treatments.

By entering an amount in the *Gift for Breast Cancer Research and Education* area on your tax return, you will be helping to conquer this serious health threat to women. Together, we can make a difference.

When preparing and mailing your 1996 General Business Corporation Franchise Tax Return, please be sure to:

- Read the instructions.
- Use the correct forms.
- Use the preaddressed label. It will assist in the proper recording of your franchise tax return. Keep a record of your label information.
- If you are not using the label, include your employer identification number and file number on each form filed.
- Check the box located above the signature area on Form CT-3 or CT-4 if you do not need forms mailed to you next year.
- Have the appropriate individuals sign the completed return.
- Make your check payable to: **New York State Corporation Tax.**
- Attach Form CT-3-ATT and all other schedules you are required to file.
- Attach Form CT-244 if the corporation was involved in a merger, acquisition or consolidation.
- Attach a complete copy of your federal return to Form CT-3.
- Attach appropriate tax credit forms if you made an entry on Form CT-3, line 74 or line 93.
- Mail your return to: NYS CORPORATION TAX, PROCESSING UNIT, PO BOX 1909, ALBANY NY 12201-1909

Mailing Label

Use the mailing label provided by the Tax Department.

The preprinted mailing label contains the taxpayer account identification information necessary for correct and effective processing of your tax form.

Check your label to see that the information is complete and correct. If it is incorrect, make any corrections directly on the label. (You must also file Form DTF-95, *Change of Business Information*, with the Tax Department as soon as possible.) If your mailing address is incorrect, check the box next to the name and address block at the top of your corporation tax return.

Remove the peel-off label from the front cover of your packet or postcard and place it in the **name and address box** at the top of your corporation tax return.

To assist in processing your corporation tax forms as quickly and efficiently as possible, it is important that we have the necessary identifying information from your preprinted label.

Keep a record of the label information for future use.

Please be certain to include your employer identification number and file number on each corporation tax form mailed. This will facilitate processing of your return to the correct account. Without this information, we may not be able to process your return.

These numbers can be copied directly from the label.



Employer ID number	File number
Name	
Number and Street	
City and Town	State
	ZIP code

If you use a paid preparer or accounting firm, make sure they use the mailing label or label information when completing all forms prepared for you.

Need Help?

For information, forms or publications, call the Business Tax Information Center at 1 800 972-1233. For information, you can also call toll free 1 800 225-5829. For forms or publications, you can also call toll free 1 800 462-8100.

Telephone assistance is available from 8:30 a.m. to 4:25 p.m., Monday through Friday.

From areas outside the U.S. and Canada, call (518) 485-6800.

Hotline for the Hearing and Speech Impaired - If you have a hearing or speech impairment and have access to a telecommunications device for the deaf (TDD), you can get answers to your New York State tax questions by calling toll free from the U.S. and Canada 1 800 634-2110. Hours of operation are from 8:30 a.m. to 4:15 p.m., Monday through Friday. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

Persons with Disabilities - In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call the information numbers listed above.

If you need to write, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227.