



Instructions for Form CT-4

General Business Corporation Franchise Tax Return

Short Form

CT-4-I

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, you should review the new filing constraints to determine whether you are now eligible to file the CT-4.

Who Must File

All general business corporations taxable under Article 9-A, other than New York S corporations, must file franchise tax returns on either Form CT-3 or Form CT-4. This includes 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 CT-4-S, *New York S Corporation Franchise Tax Return*, instead of Form CT-3 or Form CT-4.

The definition of corporation in Article 9-A of the Tax Law and in these instructions includes limited liability companies (LLCs), limited liability partnerships (LLPs), associations and publicly traded partnerships that are taxed as corporations under the Internal Revenue Code. 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 (these 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 which results in the highest amount owed. The four taxes include a tax on entire net income, a tax on 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 *Who May Use the Short Form* below.

Who May Use the Short Form

Form CT-4 is a simplified general business franchise tax return that will meet the filing needs of many businesses. Before completing Form CT-4 you must 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* in Form CT-3-I).
- 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.

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 or 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-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-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-1, *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*, below.

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 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-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-I, *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, file your return on or before March 15th. 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 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

Entire net income base09

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

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 below 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 will 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 that 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 ⅓ 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 ⅓ payment. Additional ⅓ 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 that 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, due on or before the original due date (determined without regard to any extension of time to file), you must pay interest on the amount of the underpayment from the original due date of the return to the date the tax and tax surcharges are paid. Exclude from the interest computation any amount shown on line 34a or 34b, first installment of estimated tax for 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. Interest is compounded daily.

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 34a or 34b, 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 both the interest (line 39) and penalty (line 40) computed for you by calling the Business Tax Information Center (see *Need Help?* on page 8 for the number).

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*.

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 Taxpayer Assistance Bureau (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 (NOLD) 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. Use Form CT-9 to request a refund based on a net operating loss carryback.
- 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-4, line 7.
- Attach a separate sheet to Form CT-4, providing details 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 25, 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 that 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 details see TSB-M-94(5)C.

Use Form CT-9 to request a refund based on a alternative net operating loss carryback.

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.

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 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?** on page 8 for the telephone number). For details see TSB-M-96(2)C.

Processible Forms

Returns must be prepared in a manner that will permit their routine handling and processing. Interest will not be paid on 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-4

You may have noticed that rectangular boxes have been printed on a number of our forms. The boxes will guide you in making your handwritten entries on the forms.

You can help by observing the following:

- Please print (using a blue or black pen) or type all money amounts in the boxes provided.
- Do not use dollar signs, commas, decimal points, dashes or any other punctuation marks or symbols. All necessary punctuation has been printed on the form.
- Write your number like this:

1 2 3 4 5 6 7 8 9 0 1 2

- Enter your money amounts so that the whole dollar amount ends immediately to the left of the **cents decimal**, and the cents amount starts immediately to the right.
- Make your money amount entries in the boxes, allowing one numeral for each box.
- If you are rounding any money items on your return (see *Whole Dollar Amounts* below) please enter "00" in the cents boxes.
- Leave blank any spaces and boxes that do not apply to you.

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.

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

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: $5,000/7,500 = .6666666 = 66.6667\%$.

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 1996 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 that 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 paperwork 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 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 5 — Additions

Use lines 2 through 5 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.

Line 4

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 5

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 8.)

Lines 7 through 9 — Subtractions

Use lines 7 through 9 to subtract items that are included in federal taxable income but should not be included in New York entire net income.

Line 7

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 page 3 of these instructions.

Line 8

In place of the disallowed ACRS and MACRS deduction entered on line 5, 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 9

If you have received a credit or refund of tax for which you were not previously allowed to take a deduction when you determined your entire net income, but which was included in your federal taxable income, enter the amount of the credit and refund. The taxes to which this provision is applicable include the taxes imposed by Article 9-A and Article 32, as well as by Sections 183, 183-a, 184, and 184-a of the New York State Tax Law.

Line 11

Subtract line 10 from line 6 to determine your entire net income. Show a loss by using parentheses.

Line 12 Entire Net Income Base Tax Computation

Small business taxpayers: If you are a qualified small business taxpayer and your entire net income base is \$200,000, or less, multiply line 11 by 8% (.08) and enter the amount on line 12 and line 28.

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 59 and 60 if you use the small business taxpayer tax rate.

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

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.

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-4, line 17, column C.

Line 31

Enter the amount from line 27, 28, 29 or 30, whichever is largest. Small business taxpayer exception: if line 29 (tax on capital base) is larger than line 28 (tax on entire net income base) only because of the reduced rate applicable to small business taxpayers, enter the largest amount from line 27, 28 or 30.

Line 32

Computation of State Tax Surcharge

Line 32 - Enter the appropriate state tax surcharge rate from the chart below in the box on line 32 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 applied. _____
- 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 32 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 31 by the state tax surcharge percentage on line A; enter this amount on line 32 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 31 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 32 of the return. _____

Line 34a

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

Line 34b

If you did not file Form CT-5 and the amount on line 33 (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 37

If line 36 is smaller than line 35, subtract line 36 from line 35. This is the balance of tax due. If line 36 is larger than line 35, enter "0" on line 37.

Line 38

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 39 and 40

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

Line 42

If you want to make a contribution to Return a Gift to Wildlife or the Breast Cancer Research and Education Fund, enter the amount in the appropriate box. Enter the total of both gifts on line 42. 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 45 through 48

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.

Lines 49 through 54

Prepayments

Enter the total amount of your prepayments on line 36.

Lines 55 and 56
Real Property Gains Tax

Effective June 15, 1996, Article 31-B of the Tax Law has been repealed. 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 57 and 58

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 59 and 60

Small Business Taxpayer

If you used the small business tax rate on line 12 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 60. A corporation qualifies if:

	No. of Shares	Amount
Par value stock		
No par stock		
Contributions to capital & paid-in surplus		
Total Capital Contributions - Enter on line 60		

- 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.

When preparing and mailing your 1996 General Business Corporation Franchise Tax Return Short Form, 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-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 a complete copy of your federal return to Form CT-4.
- 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, 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.