



Instructions for Form CT-3-S-A/C, Report by an S Corporation Included in a Combined Franchise Tax Return

Filing Requirements

Form CT-3-S-A/C is an individual certification that must be filed by each member of the New York State combined group except a foreign corporation that is not taxable in New York State. The payer corporation should complete all lines except lines 1 through 7 on Form CT-3-S-A/C.

Form CT-3-S-A/C is required to be filed annually and must be attached to the payer corporation's Form CT-3-S-A.

Reporting Period

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.

Fixed Dollar Minimum Tax

Line 1 — Each corporation (except the payer corporation or a foreign corporation that is not taxable in New York State) must compute its own fixed dollar minimum tax on this form.

Do not remit the tax with this form. Enter the fixed dollar minimum tax on line 1 of this form and also include on Form CT-3-S-A, line 48a or line 48b, whichever is applicable.

The fixed dollar minimum tax is computed as follows:

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

Short periods - Fixed dollar minimum tax

Annualize the 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 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 over 9 months.....	None

See Form CT-3-S-A-I, *Instructions for Forms CT-3-S-A, CT-3-S-A/ATT and CT-3-S-A/B*, line 40 instructions for computation of fixed dollar minimum tax.

Enter your gross payroll in the box on line 1.

Composition of Prepayments

Complete this schedule only if the corporation filing this Form CT-3-S-A/C made separate payments or has separate credits.

Line 6 — Include franchise tax payments credited from prior years.

Line 7 — The total will be carried to Form CT-3-S-A, line 69.

Instructions for Shareholder Information - Lines 8 through 42

Shareholder Information, Part I — Enter complete information for all individuals, estates and trusts who were shareholders of the corporation during any part of the tax year. Attach a separate sheet if necessary.

Shareholder Information, Part II — Lines 8 through 26 — Complete lines 8 through 26 for each shareholder of the electing New York S corporation, showing the pro rata share of the S corporation's items of income, loss and deduction as shown on Schedule K-1 filed with federal Form 1120S.

Nonresident shareholders should determine the amount of business and investment income, losses and deductions derived from New York State sources by using the separate business allocation percentage from Form CT-3-S-A/B, lines 85 or 116, and the separate investment allocation percentage from line 120 of the CT-3-S-A/B for the corporations in which they are shareholders.

For lines 13 and 18, attach a separate schedule showing the nature and amount of each item for each shareholder.

Line 20 — A shareholder with tax preference items may be required to file Form IT-220, *Minimum Income Tax*. See Form IT-220 and the instructions for Form IT-220 for definitions of tax preference items, filing requirements and tax computation.

Line 25 — Attach a separate schedule showing the nature and amount of each item for each shareholder.

Shareholder Information, Part III — The following adjustments must be added to or subtracted from each shareholder's federal adjusted gross income or federal itemized deductions on his or her individual New York State income tax return in arriving at total New York income and New York itemized deductions, respectively.

If a New York S corporation is on a fiscal year basis, the amount of any listed adjustment for the shareholders will be their pro rata share determined as of the end of the S corporation year ending within the shareholder's tax year.

Use lines 27 through 31 to list only those changes that apply to federal adjusted gross

income on the individual returns of shareholders. Use lines 32 and 33 to list those changes that apply to federal itemized deductions.

Additions

Line 27 — Enter each shareholder's pro rata share of the Article 9-A corporate franchise tax, including the fixed dollar minimum tax of \$325, \$425 or \$1,500, that was deducted by the S corporation on its federal return (section 612(b)(3)). See subtraction S-14 below.

Line 28 – Accelerated Cost Recovery System (ACRS) and Modified Accelerated Cost Recovery System (MACRS) Deductions — Enter the ACRS and MACRS deductions from Form CT-399, line 12, Column A (section 612(b)(25)). Attach a copy of Form CT-399 to your Form CT-3-S-A/C.

Line 29 – Other Additions — Identify by item number on a separate schedule any of the following additions that apply to each shareholder's pro rata share of the New York S corporation income, loss and deduction and enter the total of these additions that apply to each shareholder in the proper column on line 29.

A-1 Interest income on state and local bonds (except those of New York State and its political subdivisions) to the extent not included in federal adjusted gross income (section 612(b)(1)).

A-2 Interest or dividend income on bonds or securities of any United States authority, commission or instrumentality that federal laws exempt from federal income tax but not from state income taxes (section 612(b)(2)).

A-3 Amounts deducted for interest on loans used to buy bonds and securities whose interest is exempt from New York State tax, expenses relating to income exempt from New York State tax and amortization of bond premium whose bond interest is exempt from New York State tax (section 612(b)(4) and (5)).

A-4 Any amount that has to be added to your federal adjusted gross income if you made an election under the Tax Law for tax years beginning before 1987 for additional depreciation or research and development expenditures, waste treatment facility expenditures, air pollution control equipment expenditures or acid deposition control equipment (section 612(b)(6)). See subtraction S-9.

A-5 Any amount deducted for percentage depletion on mines, oil and gas wells, and other natural deposits (section 612(b)(10)).

A-6 Safe Harbor Leases — Any amount that was deducted in figuring your federal adjusted gross income (except for mass transit vehicles) solely because of an election made under section 168(f)(8) of the IRC, as it was in effect

for agreements entered into prior to January 1, 1984 (section 612(b)(23)).

A-7 Safe Harbor Leases — Any amount that would have been included in federal adjusted gross income (except for mass transit vehicles) had the election under section 168(f)(8) of the IRC, as it was in effect for agreements entered into prior to January 1, 1984, not been made (section 612(b)(24)).

A-8 Tax on Petroleum Business — The amount of gross receipts tax imposed before June 1, 1990, on petroleum businesses under Article 13-A that was deducted in figuring each shareholder's pro rata share of S corporation income (section 612(b)(28)).

A-9 Reduction for Taxes — An amount equal to each shareholder's pro rata share of the S corporation's reductions for the federal tax on certain built-in gains and tax on certain passive investment income (section 612(b)(18)).

A-10 The amount of special mortgage recording tax paid by the corporation in a tax year beginning before 1994 when the property for which the tax was paid is sold or disposed of at a gain or loss and the basis of such property was not adjusted by the special additional mortgage recording tax credit (section 612(b)(16)).

A-11 New Business Investment — Deferral Recognition — The amount of capital gain deferred on the sale of a capital asset if the new business investment property is sold (section 612(b)(22)).

A-12 Five percent of the deduction for interest related to corporate acquisitions (section 612(b)(30)).

Subtractions

Line 30 New York Depreciation — Enter the total New York depreciation from Form CT-399, line 12, Column B (section 612(c)(26)).

Line 31 Other Subtractions — Identify by item number on a separate schedule any of the following subtractions that apply to each shareholder's pro rata share of the New York S corporation income and enter the total of these subtractions that apply to each shareholder in the proper column on line 31.

S-1 Interest income on bonds or other obligations of the United States government included as income on Form CT-3-S-A. Include qualified dividends from regulated investment companies (mutual funds) that invest in obligations of the United States government and meet the 50% asset requirement (section 612(c)(1)).

S-2 Interest or dividend income on bonds or securities of any United States authority, commission or instrumentality included as income on Form CT-3-S-A, but exempt from state income taxes under federal laws (section 612(c)(2)).

S-3 Interest or dividend income included on Form CT-3-S-A on bonds or securities to the extent exempt from New York State income taxes under the laws of this state (section 612(c)(6)).

S-4 Interest expense on money borrowed to buy or carry bonds or securities, the income from which is subject to New York State income tax but exempt from federal income tax, provided this interest was a business expense for the tax year and the S corporation did not deduct the expense from income on its federal return (section 612(c)(9)).

S-5 Ordinary and necessary business expenses paid or incurred during the tax year in connection with income, or property held to produce income, that is subject to New York State income tax but exempt from federal income tax, provided the S corporation did not deduct the expenses from income on its federal return (section 612(c)(10)).

S-6 Amortization of bond premium attributable to the tax year on any bond whose interest income is subject to New York State income tax but exempt from federal income tax, provided this amortization was a business expense for the tax year and the S corporation did not deduct the expense from income on its federal return (section 612(c)(10)).

S-7 The amount of wages and salaries paid or incurred during the tax year for which a salaries deduction is not allowed with regard to claiming a federal jobs credit (section 612(c)(15)).

S-8 Cost depletion figured according to federal tax law on property where percentage depletion (addition A-5) was added on line 29 (section 612(c)(13)).

S-9 Special depreciation expenditures or carryover of research and development expenditures incurred in tax years beginning before 1987 in connection with depreciable tangible business property located in New York State (section 612(c)(11)). For more information see Form IT-211, *Special Depreciation Schedule*, and its instructions. Also see addition A-4.

S-10 Safe Harbor Leases — Any amount that was included in federal adjusted gross income (except for mass transit vehicles) solely because of an election made under section 168(f)(8) of the IRC, as it was in effect for agreements entered into prior to January 1, 1984 (section 612(c)(24)).

S-11 Safe Harbor Leases — Any amount that could have been excluded from federal adjusted gross income (except for mass transit vehicles) had the election under section 168(f)(8) of the IRC, as it was in effect for agreements entered into prior to January 1, 1984, not been made (section 612(c)(25)).

S-12 The part of any gain (but limited to the difference in basis) included in federal adjusted gross income from the sale or other disposition of (1) property that had a higher basis for New York income tax than for federal income tax on December 31, 1959 (or on the last day of a fiscal year ending during 1960), and (2) property held in connection with mines, oil or gas wells, and other natural deposits that had a higher adjusted basis for New York State income tax (sections 612(c)(4) and 612(c)(13) of the Tax Law).

S-13 New Business Investment Exclusion — The amount of gain to be subtracted from the sale of a New York new business investment that was included in federal adjusted gross income (section 612(c)(20) of the Tax Law).

S-14 The amount of any refund or credit of the tax imposed under Article 9-A of the Tax Law for a New York S corporation tax year ending after 1990, to the extent the tax was added to the shareholders' federal income in a prior tax year under section 612(b)(3) of the Tax Law.

Lines 32 and 33 should be used only for changes that apply to federal itemized deductions on the individual returns of shareholders and should exclude any amounts properly reportable on lines 29 and 31. Attach a statement identifying by item number any of the following changes that relate to New York S corporation items of the shareholders' federal itemized deductions.

Line 32 – Additions to Federal Itemized Deductions

- A** Interest expense on money borrowed to buy or carry bonds or securities subject to New York State income tax, but exempt from federal income tax if this interest was not deducted on the federal return or subtracted on line 31.
- B** Ordinary and necessary expenses paid or incurred during the tax year in connection with income, or property held to produce income, that is subject to New York State income tax but exempt from federal income tax if these expenses were not deducted on the federal return or subtracted on line 31.
- C** Amortization of bond premium attributable to the tax year on any bond whose interest is subject to New York State income tax but exempt from federal income tax if this amortization was not deducted on the federal return or subtracted on line 31.

Line 33 – Subtractions from Federal Itemized Deductions

- A** State, local and foreign income taxes properly deductible as an itemized deduction rather than a deduction for federal adjusted gross income.
- B** Interest expense on money borrowed to buy or carry bonds or securities whose income is exempt from New York State income tax, if not added on line 29.
- C** Ordinary and necessary expenses paid or incurred in connection with income or property held to produce income that is exempt from New York State income tax, if not added on line 29.
- D** Amortization of bond premium attributable to the tax year on any bond whose interest is exempt from New York State income tax, if not added on line 29.

Line 34 – New York Adjustments to Federal Tax Preference Items — See the instructions for Form IT-220 for an explanation of the required adjustments. On an attached

schedule, give details of the adjustments to the federal tax preference items for each shareholder.

Shareholder Information, Part IV

Lines 35 through 43 — Enter each individual shareholder's pro rata share of a tax credit, or recapture of a tax credit that originated in a tax year in which the corporation was a New York S corporation.

Lines 35 through 43 should **not** include an individual shareholder's pro rata share of a tax credit or recapture of a tax credit that originated in a tax year in which the corporation was a New York C corporation.

Tax credits that originate in a New York S year:

- flow through to the individual shareholders of the New York S corporation under Article 22, and,
- cannot be applied against the New York State corporation franchise tax in a New York S year, and
- cannot be applied against the New York State corporation franchise tax in a New York C year.

Tax credits that originate in a New York C year:

- do not flow through to the individual shareholders of the New York C corporation under Article 22, and
- cannot be applied against the New York State corporation franchise tax in a New York S year, and
- can be applied against the New York State corporation franchise tax in a New York C year.

Both a New York C year and a New York S year will be counted as a tax year for the carryforward of tax credits.

Lines 35 and 36 — The investment tax credit and retail enterprise investment tax credit will be allowed at a reduced rate to individuals, estates and trusts who are shareholders of a New York S corporation (section 606(i)(1), Article 22). The amount of the investment tax credit allowed each shareholder is his or her pro rata share of the investment tax credit as computed by the New York S corporation on Form CT-46, Schedules A and B-1, computed for each shareholder:

- at the rate of 4% on property other than research and development property, or
- at the rate of 7% on research and development property.

The credit for rehabilitation of historic barns is the amount of qualified rehabilitation expenditures multiplied by 25%. Include on line 35 each shareholder's pro rata share of the amount of the historic barns credit computed on Form CT-46, Schedule B-2.

When an investment tax credit is computed on property placed in service on or after January 1, 1997 (whether or not deductible in that tax year), the shareholders of a New York

S corporation may claim an employment incentive credit for each of the following two corporation tax years. Include on line 35 each shareholder's pro rata share of the amount of employment incentive credit computed on Form CT-46, Schedule C.

Line 37 — A recapture of these credits by individuals, estates and trusts who are shareholders of an electing New York S corporation may be required (section 606(i)(3), Article 22). The recapture of the tax credit is required by the shareholders who claimed the credit when property on which the tax credit was claimed under Article 22 is disposed of, or ceases to be in qualified use, or when a claiming shareholder's proportionate stock interest is reduced. The amount of the tax credit to be recaptured by the shareholder is generally his or her pro rata share of the tax credit as computed by the New York S corporation on Form CT-46, Schedule E. If the credit was computed at a reduced rate, as above, the amount of tax credit to be recaptured should be computed at the same reduced rate.

Lines 38, 39, 40, and 41 — The Economic Development Zone (EDZ) and Zone Equivalent Area (ZEA) tax credits will be allowed to individuals, estates and trusts who are shareholders of an electing New York S corporation (section 606(i)(1), Article 22). The amount of the EDZ and ZEA wage and capital tax credits allowed each shareholder is his or her pro rata share of these tax credits as computed by the New York S corporation on Forms DTF-601, DTF-601.1 and DTF-602. The amount of the EDZ investment tax credit on Form DTF-603 allowed to each shareholder shall be recomputed at a rate of 8%.

When an EDZ investment tax credit is computed on property placed in service on or after January 1, 1997 (whether or not deductible in that taxable year), the shareholders of a New York S corporation may claim an EDZ employment incentive credit for each of the following three years. Include on line 40 each shareholder's pro rata share of the amount of EDZ employment incentive credit computed on Form DTF-603, Schedule C.

Line 42 — The recapture of the EDZ investment tax credit by individuals, estates and trusts who are shareholders of an electing New York S corporation may be required (section 606(i)(3), Article 22). The recapture of the tax credit is required by the shareholders who claimed the credit, when property on which the tax credit was claimed under Article 22 is disposed of or ceases to be in qualified use, or when a claiming shareholder's proportionate stock interest is reduced. The amount of the tax credit to be recaptured by the shareholder is his or her pro rata share of the tax credit as computed by the New York S corporation on Form DTF-603, Schedule D. If the credit was computed at a reduced rate as above, the amount of tax credit to be recaptured should be computed at the same reduced rate.

Line 43 — If a member S corporation owned qualified agricultural property and paid eligible taxes, enter the individual shareholder's pro rata share of the following amounts used to compute the *Farmers' School Tax Credit*:

- the number of acres of qualified property; and
- the amount of eligible school taxes paid.

The amount of the credit allowed to each individual shareholder will be determined under Article 22 of the Tax Law. See Form IT-217, *Farmers' School Tax Credit*, for the computation of the credit under Article 22.

Qualified agricultural property includes land and land improvements located in New York State that are used in agricultural production. It also includes structures and buildings (except for buildings used by the corporation for residential purposes) that are located on the land and used or occupied to carry out agricultural production.

A structure or building qualifies if it is used (1) in the raising and production for sale of agricultural commodities, or (2) for the storage of agricultural commodities for sale at a future time, or (3) for the storage of supplies or for the storage or servicing of equipment necessary for agricultural production.

A structure or building is not qualified agricultural property if it is used for (1) the processing of agricultural commodities, or (2) the retail merchandising of agricultural commodities, or (3) the storage of commodities for the personal use of the corporation or its shareholders, or (4) the personal residence of any of the officers of the corporation.

Processing means doing something to a farm commodity beyond what is needed to make it initially marketable. The mere sorting, washing, and packaging of commodities is not considered processing. A residence includes a house, mobile home, etc., and any other buildings associated with it, such as garages or sheds, that are used for residential purposes.

Note: Land and structures owned by the S corporation and used in agricultural production are qualified agricultural property even if the agricultural production is carried on by someone else. For example, land and buildings owned by the S corporation are rented to another person who actually uses the property for agricultural production. The land and buildings are qualified agricultural property for the S corporation.

Do not include any acres of property that were converted to nonqualified use during the tax year. *Conversion to nonqualified use* means an outward or affirmative act changing the use of the agricultural property. The idling, nonuse or sale of the property is not by itself a conversion.

Example 1: You sell 100 acres of land to a developer in tax year 1997. The developer actually builds a housing development on the

land during the tax year, and as a result the land is no longer used in agricultural production. This would be considered a conversion to nonqualified use.

Example 2: You discontinue farming during 1997, but continue to hold the farm property for investment purposes. This would not constitute a conversion to nonqualified use.

Example 3: You sell qualified agricultural property to another person who continues to use the property in agricultural production. This would not constitute a conversion to nonqualified use.

For more information concerning qualified agricultural property, see Publication 51, *Questions and Answers on New York State Farmers' School Tax Credit*.

Eligible taxes are real property taxes levied by a school district on qualified agricultural property **owned** by the S corporation. Real property taxes levied by towns, villages, cities, or their municipal governments are not eligible taxes. Eligible taxes include school district taxes paid on qualified property which the S corporation owns but rents to someone else. However, eligible taxes do not include school district taxes paid on qualified agricultural

property you rent from someone else, even if the rental agreement provides that you must actually pay the taxes.

Real property taxes levied by a school district include all property taxes, special ad valorem levies and special assessments levied by a school district. Also included are taxes levied by a school district for the support of local libraries. Penalties and interest are not included.

If the S corporation owns both qualified agricultural property and nonqualified agricultural property, and it receives only one school tax bill for all the property, it must apportion the total school taxes paid between the qualified and nonqualified property based upon the values of the property. The local assessor may be able to tell you the value of your qualified and nonqualified property. If the assessor is unable to provide this information, you may use any other reasonable method, such as basing the value on the recent sale price of similar property in the area, to determine the value. In either case, the S corporation should keep records to substantiate the allocation.

Do not include school taxes paid on property converted to nonqualified use during the year. (See *conversion to nonqualified use* above.)

If the S corporation continues to own the property after the conversion, and the converted property is included as part of the total school tax bill, the S corporation may allocate the taxes to the converted property on the basis of the amount of acreage converted to the total acreage covered by the tax bill.

If the converted property is sold, the closing documents will show the amount of school taxes reimbursed to the S corporation by the buyer. The S corporation must reduce its current year's eligible taxes paid by the amount of these reimbursed taxes. For more information on eligible taxes, see Publication 51.

Attach the following forms to Form CT-3-S-A if they apply: CT-46, *Claim for Investment Tax Credit and Employment Incentive Credit*; DTF-601, *Claim for EDZ Wage Tax Credit*; DTF-601.1, *Claim for ZEA Wage Tax Credit*; DTF-602, *Claim for EDZ Capital Tax Credit*; and DTF-603, *Claim for EDZ Investment Tax Credit and Additional EDZ Investment Tax Credit*.

Need Help?

Telephone Assistance is available from 8:30 a.m. to 4:25 p.m., Monday through Friday. **For business tax information and forms**, call the Business Tax Information Center at 1 800 972-1233. **For general information**, call toll free 1 800 225-5829. **To order forms and publications**, call toll free 1 800 462-8100. **From areas outside the U.S. and Canada**, call (518) 485-6800.

Fax-on-Demand Forms Ordering System - Most forms are available by fax 24 hours a day, 7 days a week. Call toll free from the U.S. and Canada 1 800 748-3676. You must use a Touch Tone phone to order by fax. A fax code is used to identify each form.

Internet Access - <http://www.tax.state.ny.us> Access our website for forms, publications, and information.

Hotline for the Hearing and Speech Impaired - If you 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. Assistance is available 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.

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

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 Registration and Data 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.