



# Instructions for Form CT-33

## Insurance Corporation Franchise Tax Return

### Summary of 2002 changes affecting Article 33 taxpayers Up-to-date information affecting your 2002 tax return

Visit the *Corporation Tax Up-to-Date Information* page on our Web site at [www.tax.state.ny.us](http://www.tax.state.ny.us) for Tax Law changes or forms corrections that occurred after the forms and instructions were printed.

#### New filing requirements for combined insurance corporations

For tax years beginning in 2002, Form CT-33-A, *Insurance Corporation Combined Franchise Tax Return*, and the filing requirements for combined groups have changed. Prior to 2002, each member of the combined group was required to file an individual Form CT-33. This is no longer required. Instead, each member of the combined group, including the parent, must file an individual certification on Form CT-33-A/ATT, *Attachment to Form CT-33-A*. For more information, see Form CT-33-A.

#### New credit forms for retaliatory tax credits and CAPCO credit

For tax years beginning in 2002, the retaliatory tax credits and the CAPCO credit are no longer calculated on the individual Form CT-33. The retaliatory tax credits are now calculated on Form CT-33-R, *Claim for Retaliatory Tax Credits*. The CAPCO credit is now calculated on Form CT-33.1, *Claim for CAPCO Credit*.

#### Temporary increase in the mandatory first installment of estimated tax

— The Tax Law has been amended to provide a temporary increase in the mandatory first installment for **nonlife** insurance corporations whose preceding year's tax, exclusive of the MTA surcharge, exceeds \$100,000. For tax years beginning on or after January 1, 2003, but before January 1, 2006, those taxpayers that formerly paid a mandatory first installment equal to 25% of the preceding year's tax will be required to pay a first installment equal to 30% of the preceding year's tax. Additionally, taxpayers subject to the MTA surcharge under section 1505-a of the Tax Law that are required to pay their first installment at the 30% rate will also be required to calculate their estimated tax for the surcharge at 30% of the preceding year's MTA surcharge. The remaining three estimated tax payments are adjusted so that the total payments do not exceed 100% of the estimated tax due. For tax years beginning on or after January 1, 2006, the mandatory first installment reverts to 25% of the preceding year's tax.

The mandatory first installment remains at 25% of the preceding year's tax for those **nonlife** insurance corporations whose preceding year's tax exceeded \$1,000, but was less than or equal to \$100,000. For **life** insurance corporations, the mandatory first installment remains at 40% of the preceding year's tax if that preceding year's tax exceeded \$1,000. For more information, see TSB-M-02(5)C.

**Change in interest rate on underpayments** — The interest rate applicable to underpayments has been increased by two percentage points effective April 1, 2003. The new rate applies to underpayments that remain or become due on or after that date. The interest rates applicable to the current and past calendar quarters are on our Web site at [www.tax.state.ny.us](http://www.tax.state.ny.us). For more information, see TSB-M-02(5)C.

#### Tax rate on entire net income has been reduced

- For tax years beginning after June 30, 2001, and before July 1, 2002, the tax rate is 8%.
- For tax years beginning after June 30, 2002, the tax rate is 7.5%.

#### Tax rate for nonlife insurance companies under section 1505 has been reduced

- For tax years beginning after June 30, 2001, and before July 1, 2002, the tax rate is 2.2%.
- For tax years beginning after June 30, 2002, the tax rate is 2%.

**Net operating losses** — The federal Job Creation and Worker Assistance Act of 2002 temporarily extends, for federal tax purposes, the general net operating loss (NOL) carryback period from two to five years for certain NOLs arising in tax years ending in 2001 and 2002. Taxpayers eligible for the five-year carryback for federal tax purposes may also use a five-year carryback for New York State tax purposes. For more information, see the instructions for line 79 on page 5.

**Federal long-term care insurance premiums** — Under recently enacted federal legislation, states and localities are prohibited from imposing taxes and fees on premiums received on or after September 19, 2000, for long-term care insurance provided to certain federal employees and retirees under Chapter 90, Title 5, of the United States Code. However, the federal legislation does not prohibit states and localities from imposing a tax on the net income or profit derived from issuing these federal long-term care insurance policies.

**Investment tax credit (ITC) relief for property destroyed on September 11, 2001** — The Tax Law has been amended to provide ITC

relief for property that was destroyed or ceased to be in qualified use as a direct result of the terrorist attacks of September 11, 2001. For more information, see TSB-M-02(3)C.

**Extension of the ITC for the financial services industry** — The Tax Law has been amended to extend the qualifying period of the ITC for the financial services industry under Article 33. Qualified property placed in service before October 1, 2008, is now eligible for the ITC for the financial services industry.

**Long-term care insurance credit** — This credit is effective for tax years beginning on or after January 1, 2002. The credit is equal to 10% of the premiums paid during the tax year for the purchase of qualifying long-term care insurance. For more information, see Form CT-249, *Claim for Long-Term Care Insurance Credit*.

**Ordering of credits** — The Tax Law has been amended to provide for a new ordering of credits. The legislation is retroactive to tax years beginning on or after January 1, 2000. Tax credits under Article 33 must be applied in the following order:

1. Empire Zone (EZ) capital credit.
2. EZ and Zone Equivalent Area (ZEA) wage tax credits.
3. Noncarryover credits that are not refundable.
4. Carryover credits that are of limited duration.
5. Carryover credits that are of unlimited duration.
6. Refundable credits.

#### Who must file Form CT-33

- Domestic insurance corporations for the privilege of exercising a corporate franchise;
- Foreign and alien insurance corporations doing business, employing capital, owning or leasing property, or maintaining an office in this state;
- Any life insurance company whose *Certificate of Authority* from the Superintendent of Insurance has expired, or that ceases to transact new business in this state, but has business remaining in force in this state;
- Risk retention groups as defined in subsection (n) of section 5902 of the Insurance Law;
- Savings banks authorized to transact insurance business by Article 6-a of the New York State Banking Law;
- Insurance corporations exempt from federal income tax but that conduct business in New York State;
- The State Insurance Fund; and
- An unauthorized insurance corporation that is affiliated with an insurer licensed in New York State and is operating from an office within the state pursuant to sections 1101(b)(5) and 2117(i) of the New York State Insurance Law. See TSB-M-00(1)C for additional information.

**Exceptions:** Insurance corporations specifically exempted by section 1512 of the Tax Law do not have to file Form CT-33. Captive insurance companies must file Form CT-33-C, *Captive Insurance Company Franchise Tax Return*.

**Definition of insurance corporation** — An *insurance corporation* as defined by section 1500 of Article 33 of the Tax Law is any corporation, association, joint stock company or association, person, society, aggregation, or partnership, doing an insurance business.

#### 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 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.

If you cannot meet this filing deadline, you may ask for a six-month extension of time by filing Form CT-5, *Request for Six-Month Extension to File*.

Mail returns to: **NYS CORPORATION TAX  
PROCESSING UNIT  
PO BOX 22038  
ALBANY NY 12201-2038**

Also mail a copy to: **New York State Insurance Department, Agency Building 1, Empire State Plaza, Albany NY 12257.**

#### Private delivery services

If you choose, you may use a private delivery service, instead of the U.S. Postal Service, to file your return and pay tax. However, if, at a later date, you need to establish the date you filed your return or paid your tax, you cannot use the date recorded by a private delivery service

**unless** you used a delivery service that has been designated by the U.S. Secretary of the Treasury or the Commissioner of Taxation and Finance. (Currently designated delivery services are listed in Publication 55, *Designated Private Delivery Services*. See *Need help?* on page 7 of these instructions for information on ordering forms and publications.) If you use **any** private delivery service, whether it is a designated service or not, address your return to: **State Processing Center, 431C Broadway, Albany NY 12204-4836.**

**Change of address** — If your address has changed, please enter your new address in the appropriate area and check the box below the address so that we can update your address for this tax type. Do not check this box for any change of business information other than for your address.

**Change in business information** — You must report any changes in your business name, ID number, mailing address, physical address, telephone number, or owner/officer information on Form DTF-95, *Business Tax Account Update*. If only your address has changed, you may use Form DTF-96, *Report of Address Change for Business Tax Accounts*, to correct your address for this and all other tax types. You can get these forms by fax, phone, or from our Web site. See *Need help?* on page 7 for the phone number and Web address.

### NAICS business code number

Enter the six-digit NAICS business activity code number from your federal return.

### Metropolitan transportation business tax (MTA surcharge) section 1505-a

Any insurance corporation taxable under Article 33 that does business, employs capital, owns or leases property, or maintains an office in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-33-M, *Insurance Corporation MTA Surcharge Return*, and pay the MTA surcharge imposed by section 1505-a. The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. Corporations not doing business in the MCTD must disclaim liability for the tax surcharge by answering *No* to the question on page 1. They are not required to file Form CT-33-M.

### Computerized returns

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

### Amended return

If you are filing an amended return, please check the *Amended return* box on the top of Form CT-33.

### 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.

### Signature

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

If an outside individual or firm prepared the return, the signature of the person and the name of the firm must be included.

**Whole dollar amounts** — You may elect to show amounts in whole dollars rather than in dollars and cents. Round any amount from 50 cents through 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar.

**Negative amounts** — Show any negative amounts in parentheses.

**Percentages** — When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Carry percentages to four decimal places. For example:  $5,000/7,500 = 0.6666666 = 66.6667\%$ .

### Specific instructions

#### Computation of tax and installment payments of estimated tax

**Line A** — Make your payment in United States funds. We will accept a foreign check or foreign money order only if payable through a United States bank or if marked **Payable in U.S. funds**.

Complete pages 2 through 6 before computing the tax on page 1.

**Line 1** — If the return is for calendar year 2002 or a fiscal year beginning before July 1, 2002, multiply the entire net income on this line by 8% (.08). If the return is for a fiscal year beginning on or after July 1, 2002, multiply the entire net income on this line by 7½% (.075).

**Line 3** — To compute the alternative tax measured by income plus compensation:

- Add the unallocated entire net income from line 88 and the total salaries and compensation paid to the officers and stockholders from line 61. If line 88 is a loss, subtract it from line 61.
- Deduct \$15,000 (or a proportionate part if the return is for a period of less than one year) from the amount computed at item A above.
- Multiply the result of item B above by 30% (.30).
- Multiply the amount computed at item C above by the allocation percentage from line 45.
- Enter the result of item D above in the first box on line 3, and multiply the result by 9% (.09) to compute the tax.

**Line 9a** — Amount from line 1, 2, 3, or 4, whichever is the largest plus the subsidiary capital base tax on line 5, and the premiums tax on lines 6 through 8, and enter the result on this line.

**Line 9b** — Enter the amount of Empire Zone (EZ) and Zone Equivalent Area (ZEA) tax credits being claimed on line 113. These credits **must** be subtracted from the tax on line 9a and **not** from the tax on line 11.

**Line 9c** — Subtract line 9b from line 9a and enter the result on this line. The amount after EZ and ZEA tax credits claimed may not reduce the tax due on line 9c below the minimum tax of \$250. If you have a net recapture of the EZ capital tax credit, add this amount to the total tax on line 9c.

**Lines 10a and 10b** — Section 1505(a) limits taxes imposed by sections 1501 and 1510. Commencing with tax years beginning on or after January 1, 1998, life insurance companies and nonlife insurance companies have different tax rates under section 1505.

Life insurance companies determine their limitation by multiplying the premiums determined under section 1510 by 2.0% (.02). A *life insurance company* is any insurance company which has the power to do either a life insurance business or an annuity business, or both, as specified in Insurance Law sections 1113(a)(1) and (2). Any insurance company that does not have the power to do either of those kinds of insurance businesses is a *nonlife insurance company*.

Nonlife insurance companies determine their limitation by multiplying the premiums determined under section 1510 by either 2.2% (.022) or 2.0% (.02), depending upon the beginning date of the tax return being filed. For calendar-year returns, and fiscal-year returns beginning before July 1, 2002, the tax rate is 2.2%. For fiscal-year returns beginning on or after July 1, 2002, the tax rate will decrease to 2.0%.

When computing the limitation, an insurance company that receives more than 95% of its premiums from annuity contracts, group insurance for the elderly, or ocean marine insurance must treat such premiums as taxable premiums (section 1505(b)).

**Line 11** — Enter the lower of the tax determined under section 1505 (line 10a or 10b), or the taxes determined under sections 1501 and 1510 (line 9c). **Life insurance companies** take the lesser of lines **9c** and **10a** and enter amount on this line. **Nonlife insurance companies** take the lesser of lines **9c** and **10b** and enter amount on this line.

**Line 12** — Enter the total amount of tax credits claimed from the recap of tax credit summary schedule, line 114. A special rule applies to taxpayers claiming Empire Zone (EZ) and Zone Equivalent Area (ZEA) credits. These credits may **not** be subtracted from the tax calculated under section 1505.

**Line 14b** — If the tax is more than \$1,000, and you did not file Form CT-5, *Request for Six-Month Extension to File*, you must pay a mandatory first installment for the period following that covered by this return.

**Life insurance companies:** If your tax is more than \$1,000, enter 40% of the tax shown on line 13. **Nonlife insurance companies:** If your tax is more than \$1,000, but less than or equal to \$100,000, enter 25% of the tax shown on line 13. If your tax is more than \$100,000, enter 30% of the tax shown on line 13.

**Line 16** — The amount entered on this line is the total of all prepayments of estimated tax from line 111.

**Line 19** — If you do not pay the tax due on or before the original due date (**without** regard to any extension of time for filing), you must pay interest on the amount of underpayment (line 13 minus line 16) from the original due date to the date paid. Exclude from the interest computation any amount shown on line 14a or 14b, first installment of estimated tax for next period.

**Line 20** — Compute additional charges for late filing and late payments on the amount of tax minus any payment made on or before the due date (**with** regard to any extension of time for filing) (line 13 minus line 16). Exclude from the penalty computation any amount shown on line 14a or 14b, 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 25% (section 1085(a)(1)(A)).
- B. If you do not file a return within 60 days of the due date, the addition to tax 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 do not pay the tax shown on a return, add to the tax ½% per month up to 25% (section 1085(a)(2)).
- D. The total of the additional charges in items A and C above may not exceed 5% for any one month except as provided for in item B above (section 1085(a)).

If you think you are not liable for these additional charges, attach a statement to your return explaining reasonable cause for the delay in filing, payment, or both (section 1085).

Note: If you wish, we will compute the interest (line 19) and penalty (line 20) for you. Call the Business Tax Information Center at 1 800 972-1233.

**Line 27** — Include the amount of retaliatory tax credits from Form CT-33-R, *Claim for Retaliatory Tax Credits*, line 20, the amount of QEZE credit for real property taxes from Form CT-604, line 35, and the amount of ITC for the financial services industry (if a qualified new business) from Form CT-44, line 33, that are being requested as a refund.

**Collection of debts from your refund** — We will keep all or part of your refund if you owe a past-due, legally enforceable debt to the Internal Revenue Service (IRS) or to a New York State agency. This includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district. We will refund any amount over your debt.

If you have any questions about whether you owe a past-due, legally enforceable debt to the IRS or to a state agency, contact the IRS or that particular state agency.

For New York State tax liabilities **only** call 1 800 835-3554 (outside the U.S. and outside Canada call (518) 485-6800) or write to NYS Tax Department, Tax Compliance Division, W A Harriman Campus, Albany NY 12227.

### Schedule A — Allocation of reinsurance premiums when location of risks cannot be determined

Complete this schedule to allocate reinsurance premiums to New York State when the location or residence of the property or risks covered by the reinsurance cannot be determined. This schedule must be completed for premiums assumed from authorized companies.

**Column C** — Enter the percentage each ceding corporation's New York premiums bear to its total premiums for the preceding tax year (reinsurance allocation percentage). You may obtain this percentage from tax service publications or by applying, in duplicate, to the address shown on page 7. If the ceding corporation did not do business in New York State during the preceding year and therefore did not file a New York State tax return, the percentage is zero.

We will supply reinsurance allocation percentages upon written request to the NYS Tax Department, Taxpayer Contact Center, W A Harriman Campus, Albany NY 12227. You may also call the Business Tax Information Center at the number listed under *Need help?* on page 7.

### Schedule B — Computation of allocation percentage

A taxpayer doing business both inside and outside New York State may allocate its business and investment capital, entire net income, and entire net income plus compensation.

Compute the income allocation percentage by adding the percentages of the taxpayer's premiums allocated to New York State (multiplied by nine) and payroll allocated to New York State, and dividing the total by ten. For both the numerator and denominator of the premium allocation percentage, the term *premium* includes all amounts received as consideration for insurance, reinsurance and annuity contracts, including premium deposits, assessments, policy fees, membership fees, and all other compensation for such contracts.

**Line 31** — Enter the total New York taxable premiums received from life insurance and nonlife insurance from Schedule H, column A, line 93, or from lines 94 and 95, plus any additional premiums on these types of policies that were written, procured, or received in New York on business that cannot be specifically assigned as located or resident in any other state or states that were not included on line 93, 94, or 95 (attach schedules for such additional premiums). Do not include in this amount any separate costs assessed by the insurance corporation upon its policyholders. See section 1504(b)(2)(A) of the Tax Law. Include any New York premiums for long-term care insurance policies under Chapter 90, Title 5, of the United States Code, and any New York premiums for federal group life insurance policies under Chapter 87, Title 5, of the United States Code, when computing the premium percentage.

**Line 32** — Enter the total ocean marine premiums written, procured, or received on property or risks located or resident in New York State, plus ocean marine premiums written within New York State on property or risks that cannot be specifically assigned as located or resident in any other state or country. See section 1504(b)(2)(C) of the Tax Law.

**Line 33** — Enter the total of premiums for annuity contracts and insurance for the elderly that are written, procured, or received on risks located or resident in New York State, and those premiums for annuity contracts and insurance for the elderly written, procured, or received in New York State on business that cannot be specifically assigned as located or resident in any other state or states.

**Line 34** — Enter the total New York premiums on reinsurance assumed from authorized companies. Include premiums allocated to New York State where the location of the risk cannot be determined (Schedule A, line 30) and premiums from risks located in New York State.

**Line 36** — Enter the total amount of New York premiums included on line 35 that were ceded to other insurance companies.

**Attach a separate schedule showing the computation of New York premiums included in lines 31 through 36.**

**Line 38** — You must report total premiums on a written or paid-for basis, consistent with the basis required by the annual statement filed with the Superintendent of Insurance. Attach schedule of total premiums.

First, determine total gross premiums, deposit premiums, and assessments, less returns thereon, on **all** policies, annuity contracts, certificates, renewals, policies subsequently canceled, and insurance and reinsurance executed, issued, or delivered on property or risks, including premiums for reinsurance assumed. Include **only** those special risk premiums written, procured, or received in New York State on risks located or resident in New York State.

From the total amount determined, deduct dividends on total premiums and premiums on reinsurance ceded. When computing the dividend deduction, include unused or unabsorbed portions of premium deposits paid or credited to policyholders, but not deferred dividends paid in cash to policyholders on maturing policies or cash surrender values.

**Line 41** — Enter total wages, salaries, personal service compensation, and commissions for the tax year of employees, agents, and representatives regularly connected with or working out of an office or place of business maintained within New York State. It does not matter where the services were performed. Include any commissions or personal service compensation derived from policies for a long-term care insurance policy under Chapter 90, Title 5, of the United States Code, and from policies for federal group life insurance under Chapter 87, Title 5, of the United States Code, when computing the payroll percentage.

**Line 42** — Enter total wages, salaries, personal service compensation, and commissions for the tax year of all employees, agents, and representatives. Include any commissions or personal service compensation derived from policies for a long-term care insurance policy under Chapter 90, Title 5, of the United States Code, and from policies for federal group life insurance under Chapter 87, Title 5, of the United States Code, when computing the payroll percentage.

**Line 45** — If the premiums factor is missing from line 39, the income allocation percentage is the payroll factor percentage on line 43. If the payroll factor is missing from line 43, the income allocation percentage is the premium factor percentage on line 39. A factor is missing if both its numerator and denominator are zero. If the numerator is zero and the denominator has a positive figure, the factor has an allocation value of 0% and is included in the computation of the allocation percentage.

Attach a separate schedule indicating how you computed the amounts shown on lines 41 and 42 and where these amounts are shown on the federal return.

### Schedules C and D — Computation and allocation of subsidiary capital and business and investment capital

**Subsidiary capital.** A subsidiary is a corporation of which over 50% of the voting stock is owned by the taxpayer. The term *subsidiary capital* means all investments in the capital stock of subsidiary corporations plus all indebtedness from subsidiary corporations (other than accounts receivable acquired in the ordinary course of trade or business for services rendered, or for sales of property held primarily for sale to customers). When computing the amount of indebtedness owed to the taxpayer by its subsidiaries, consider each subsidiary 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.

This indebtedness, whether or not evidenced by bonds or other written instruments, qualifies as subsidiary capital as long as the subsidiary does not claim and deduct the interest for the purpose of taxation under any Article of the Tax Law. Each item of subsidiary capital must be reduced by any liabilities of the taxpayer (parent) payable by their terms on demand or not more than one year from the date incurred. These liabilities do not include loans or advances outstanding for more than a year, as of any date during the year covered by the return.

**Definition of capital.** *Total capital* is the average fair market value of all the corporation's assets minus its average current liabilities. It does not include assets that are held to maintain reserves of an insurance corporation as required under sections 1303, 1304, and 1305 of the New York State Insurance Law.

**Valuation of capital.** *Business and investment capital* is total capital minus subsidiary capital. In computing business and investment capital, you are normally required to value assets at fair market value. But in valuing real and tangible personal property, you may elect to substitute book values for these assets; that is, the value established and regularly kept on the books of the company. If you make this election you must so indicate on each return. Once you have made the election, it is binding for all subsequent tax years and cannot be changed without prior permission. You must value stocks, bonds, and other securities at fair market value.

**Average fair market value.** The *fair market value* of an asset is the price (without deduction of any encumbrance) at which a willing seller will sell and a willing buyer will buy. The fair market value, on any date, of stocks, bonds, and other securities regularly traded on an exchange or in the over-the-counter market is the mean between the highest and lowest selling prices on that date. 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 fair market value results.

**Current liabilities.** Include **only** liabilities maturing in one year or less from the date originally incurred. Do not include loans or advances outstanding for more than a year as of any date during the year covered by this return, notes payable that are renewed from year to year, or the current portion of a long-term liability. Do not include reserves required under New York State Insurance Law sections 1303, 1304, and 1305. Use the same method of averaging used to determine average fair market value of assets.

**Issuer's allocation percentage.** For Schedule C, Column F, enter the percentage of the entire capital or the issued capital stock or the gross direct premiums or net income of each issuing corporation allocable to New York State as determined on the corporation's New York State tax return for the preceding tax year. If the issuing corporation did not do business in New York State during the preceding year and therefore did not file a New York State tax return, the percentage is zero. You may obtain up to three issuer's allocation percentages by calling toll free 1 800 972-1233. From areas outside the U.S. and outside Canada, call (518) 485-6800. You may obtain more than three only by written request. Mail the written request to the address shown under *Need help?* on page 7. Issuer's allocation percentages are also available from many online services, printed tax services, or on the department's Web site: [www.tax.state.ny.us](http://www.tax.state.ny.us)

**Line 50** — Attach copies of your *Assets Schedule* of the *Annual Statement* reflecting admitted and nonadmitted assets for both the previous tax year and the current tax year.

**Lines 52 and 56** — Attach copies of your *Liabilities, Surplus and Other Funds Schedule* of the *Annual Statement*.

### Schedule E — Computation of adjustment for gains or losses on disposition of property acquired before January 1, 1974

Section 1503(b)(5) of the Tax Law details the adjustments you must make when reporting the gain or loss from sale or exchange of property acquired before January 1, 1974.

**Columns B, D, and F** — Enter the amounts used in computing federal taxable income.

**Column C** — The *fair market price or value* is the price at which a willing seller will sell and a willing buyer will buy.

#### Column E

- If the amount entered in column B **or** C is more than the amount entered in column D, no New York gain is realized. Enter "0" in column E.
- If the amount entered in column B **or** C is less than the amount entered in column D, no New York loss is sustained. Enter "0" in column E.
- If both the amounts entered in columns B **and** C are less than the amount entered in column D, a New York gain is realized. Enter in column E the difference between column D and the higher of column B or C.
- If both the amounts entered in columns B **and** C are more than the amount entered in column D, a New York loss is sustained. Enter in column E (in parentheses) the difference between column D and the lower of column B or C.

### Schedule G — Computation and allocation of entire net income

**Line 62** — Enter the amount of life insurance company taxable income (LICIT), or taxable income as reported to the U.S. Treasury Department, for the tax year (including, in the case of a stock life insurance company, distributions to shareholders from an existing policyholder's surplus account). Taxpayers who file federal Form 1120-L must enter on this line the total of LICIT per Schedule A, plus the operations loss deduction included in LICIT. Taxpayers filing federal Form 1120-PC must enter the total of taxable income per Schedule A, plus any net operating loss included in taxable income. Corporations exempt from federal income tax but subject to tax under Article 33 must enter the taxable income which would have been required to be reported to the U.S. Treasury Department.

**Line 64** — Enter all interest and dividend income, received or accrued, that was exempt from federal income tax and not included in line 62, minus interest expense, bond premium amortization, and other ordinary and necessary expenses, paid or incurred, attributable to this income.

**Line 65** — Enter interest paid or accrued on indebtedness directly or indirectly owed to any stockholder (including subsidiaries of a corporate stockholder) or members of his or her immediate family that own more than 5% of the issued capital stock of the taxpayer. *Immediate family* includes brothers and sisters of whole or half blood, spouse, ancestors, and descendants. If no such interest was paid or accrued, enter "0."

**Line 67** — Enter all capital losses from sales and exchanges of subsidiary capital, all other losses and bad debts, interest expense (direct or indirect), foreign taxes, and any carrying charge attributable to subsidiary capital deducted in computing federal taxable income.

**Line 68** — Enter the amount of New York State franchise taxes, including the MTA surcharge, imposed by Article 33 and deducted on your federal return.

**Line 69a** — Enter any amount claimed as a deduction in computing federal taxable income solely as a result of an election made under the provision of IRC section 168(f)(8) (safe harbor lease, as it was in effect for agreements entered into before January 1, 1984).

**Line 69b** — Enter any amount you would have been required to include in the computation of federal taxable income had you not made the election permitted by the provisions of IRC section 168(f)(8) (safe harbor lease, as it was in effect for agreements entered into before January 1, 1984).

**Line 70** — Use this line if:

- the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** inside or outside New York State after 1980, in tax periods beginning before 1985; or

- the corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984, and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation modification for the property (see TSB-M-99(1)(C)); or
- the corporation disposes of ACRS/MACRS property this year and the New York depreciation modification applied in prior years.

If this line applies, complete Form CT-399. Include from Form CT-399, Part I, line 1, column E, 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 CT-399, Part III, line 8, column A.

**Line 72** — Enter the amount of unearned premiums on outstanding business at the end of the preceding tax year excluded from premiums earned as a result of IRC sections 832(b)(4)(B), 832(b)(7)(B)(i), and 832(b)(8)(A)(i).

**Line 73** — Enter the difference between the amount of discounted unpaid losses at the end of the preceding tax year used in the computation of losses incurred as a result of IRC section 832(b)(5)(A), and the amount of unpaid losses at the end of the preceding tax year that would have been used in such computation if such losses were not discounted for federal income tax purposes. Provide a copy of the loss reserves discount summary schedule used to compute discounted unpaid losses from federal Form 1120-PC and a copy of *Schedule P, Analysis of Losses and Loss Expenses, Part 1 Summary*, from the prior year's *Annual Statement*.

**Line 74** — Other additions:

**A-1** The portion of the special additional mortgage recording tax claimed as a credit that was claimed as a deduction in arriving at federal taxable income. The gain or loss on the sale of real property on which the special additional mortgage recording tax credit was claimed must be increased in the case of a gain, or decreased in the case of a loss, when any portion of the credit was also used in the basis for computing the federal gain.

**A-2** Qualified Emerging Technology Investments (QETI) — If you elected to defer the gain from the sale of QETI, then **you must** add to federal taxable income the amount previously deferred when the reinvestment in the New York qualified emerging technology company which qualified you for that deferral is sold. See subtraction S-3 on line 86.

**Line 76** — Enter interest and dividend income from subsidiary capital and capital gains from sales and exchanges of subsidiary capital. This deduction **cannot** exceed the amount used to compute federal taxable income.

**Line 77** — Enter 50% of dividend income from corporations that are not subsidiaries. A life insurance company may enter only 50% of the company's share (IRC section 812(a)(1)) of such dividend income.

**Line 78** — Enter any income or gain from installment sales of real or personal property made before January 1, 1974, that was used to compute federal taxable income.

**Line 79** — Enter New York State net operating losses (NOLs) or operations losses. Attach a separate schedule showing the details of the application of the federal and New York State losses.

In determining the net operating loss (NOL) or operations loss of any given year, the following rules apply:

- Federal NOLs (IRC section 172) or operations losses (IRC section 810) must be adjusted in accordance with Article 33, section 1503(b).
- For NOLs incurred in tax years beginning **on or before** August 5, 1997, the NOL may be carried back three years and carried forward 15 years.
- For NOLs incurred in tax years beginning **after** August 5, 1997, the NOL may be carried back only two years and carried forward 20 years, except for certain NOLs incurred in 2001 and 2002.
- For certain NOLs incurred in tax years ending in 2001 and 2002, the NOL may be carried back five years, unless the taxpayer elects for federal tax purposes to disregard the five-year carryback.
- The operations losses incurred may be carried back three years and carried forward 15 years for all periods.
- If you have elected for federal purposes to relinquish the carry back of a NOL or operations loss, you may not carry back a NOL or operations loss for state purposes, and you must submit a copy of your federal election.

- The New York State NOL deduction or operations loss deduction for any particular year is limited to the federal NOL deduction (IRC section 172) or operations loss deduction (IRC section 810) for that year.
- No deduction is allowed for a NOL or operations loss sustained during any year in which the corporation was not subject to tax under Article 33.

**Line 80a** — Enter any amount included in federal income solely as a result of an election made under the provisions of IRC section 168(f)(8) (safe harbor lease, as it was in effect for agreements entered into before January 1, 1984).

**Line 80b** — Enter any amount that you could have deducted from federal taxable income had you not made an election under IRC section 168(f)(8) (safe harbor lease, as it was in effect for agreements entered into before January 1, 1984). For additional information on safe harbor leases, see TSB-M-82(15)C.

**Line 81** — Use this line if:

- the corporation claims the federal ACRS/MACRS deduction for property placed in service **either** inside or outside New York State after 1980, in tax periods beginning before 1985; or
- the corporation claims the federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax periods beginning after 1984, and before tax periods beginning in 1994, and the corporation made the election to continue using the IRC section 167 depreciation modification for the property (see TSB-M-99(1)(C)); or
- the corporation disposes of ACRS/MACRS property this year and the New York depreciation modification applied in prior years.

If this line applies, complete Form CT-399. Include from Form CT-399, Part I, line 1, column I, 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 CT-399, Part III, line 8, column B.

In place of the disallowed ACRS and MACRS deduction entered on line 70, a depreciation deduction based on IRC section 167 (as it would have applied to property placed in service on December 31, 1980) is allowed (Article 33, section 1503(b)(10)). For additional information see the instructions for Form CT-399, *Depreciation Adjustment Schedule*.

**Line 82** — Enter the amount included in federal gross income as a result of sections 847(5) and 847(6) of the IRC.

**Line 83** — Enter the amount of unearned premiums on outstanding business at the end of the tax year included in premiums earned as a result of IRC sections 832(b)(4)(B), 832(b)(7)(B)(i) and 832(b)(8)(A)(i).

**Line 84** — Enter the difference between the amount of discounted unpaid losses at the end of the tax year used in the computation of losses incurred as a result of IRC section 832(b)(5)(A), and the amount of unpaid losses at the end of the tax year that would have been used in such computation if such losses were not discounted for federal income tax purposes. Provide a copy of the loss reserves discount summary schedule used to compute discounted unpaid losses from federal Form 1120-PC, and a copy of *Schedule P, Analysis of Losses and Loss Adjustment Expenses, Part 1, Summary*, from the current year's *Annual Statement*.

**Line 85** — Enter the amount by which losses incurred were reduced as a result of IRC section 832(b)(5)(B).

**Line 86** — Other subtractions:

- S-1** Include the amount of wages disallowed under IRC section 280C in the computation of your federal taxable income because you claimed a federal credit. Attach a copy of the appropriate federal credit form.
- S-2** Interest deductions under section 1503(b)(3) to the extent not deducted on line 64.
- S-3** You may defer the gain on the sale of qualified emerging technology investments (QETI) that are held for more than 36 months and rolled over into the purchase of a QETI within 365 days. You must purchase replacement QETI within the 365-day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the sale of the original QETI exceeds the cost of a replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. You must add back the gain deferred in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from federal taxable income the amount of the gain deferral (to the extent the gain is included in federal taxable income). If purchase of the replacement QETI within the 365-day period occurs in the same taxable year as the sale of the original QETI, or in the following taxable year and before the date the corporation's franchise tax return is filed, take the deduction on that return. If purchase of the replacement QETI within the 365-day period occurs in the following taxable year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction.

A QETI is an investment in the stock of a corporation or an ownership interest in a partnership or limited liability company (LLC) that is a qualified emerging technology company. A QETI is also an investment in a partnership or an LLC to the extent that such partnership or LLC invests in qualified emerging technology companies. The investment must be acquired by the taxpayer as provided in IRC section 1202(c)(1)(B), or from a person who acquired it under this section. IRC section 1202(c)(1)(B) requires the acquisition to be original issue from the company, either directly or through an underwriter, and in exchange for cash, services, or property (but not stock).

A *qualified emerging technology company* is a company located in New York State that has total annual product sales of \$10 million or less and that meets either of the following criteria: (1) its primary products or services are classified as emerging technologies; or (2) it has research and development activities in New York State and its ratio of research and development funds to net sales equals or exceeds the average ratio for all surveyed companies classified (as determined by the National Science Foundation in the most recently published results from its survey, *Research and Development in Industry: 1997*, or a comparable successor survey as determined by the department).

- S-4** Victims or targets of Nazi persecution: Include the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of these victims or targets, if included in your federal taxable income. Do not include amounts received from assets acquired with such assets or with the proceeds from the sale of such assets (section 13 of the Tax Law).

### Schedule H — Computation of premiums

Any corporation subject to Article 33 of the Tax Law is subject to the additional premiums tax under section 1510 or the limitation on tax under section 1505.

Use Schedule H to compute premiums due under sections 1510 and 1505, and transfer them to the appropriate lines on page 1. Report direct premiums on a written or paid-for basis, consistent with the basis required by the annual statement filed with the Superintendent of Insurance. For purposes of computing Schedule H, the term *premium* includes all amounts received as consideration for insurance or reinsurance contracts (except annuity contracts), including premium deposits, assessments, policy fees, membership fees, any separate costs by carriers assessed upon their policyholders, and all other consideration for such contracts. Exclude premiums for federal long-term care insurance policies under Chapter 90, Title 5, of the United States Code, and any premium under Chapter 87, Title 5, of the United States Code.

*Taxable premiums* include gross direct premiums minus return premiums, reinsurance premiums, and dividends paid or credited.

- a. **Gross direct premiums.** Include total gross premiums, deposit premiums and assessments, less returns thereon, on all policies, certificates, renewals subsequently canceled, insurance and reinsurance executed, issued, or delivered on property or risks located or resident in New York State, and premiums written, procured, or received in New York State on business that cannot be specifically allocated or apportioned and reported as taxable premiums or which have not been used as a measure of a tax on business of any other state or states. Also include special risk premiums written, procured, or received in New York State on risks located or resident in New York State. When computing taxable premiums in Column A, do not include premiums on annuity contracts, ocean marine insurance, and policies issued under section 4236 of the Insurance Law. Also exempt from the tax on premiums are premiums on risks located outside the United States which were written, procured, or received in New York State, **except** for insurance written by foreign and alien title insurance corporations and accident and health insurance.

Insurance corporations receiving more than 95% of their gross direct premiums from annuity contracts (including annuity and other fund deposits), ocean marine insurance, and policies issued under

section 4236 of the Insurance Law **must** include these premiums in the tax limitation computation.

### b. Deductions from gross direct premiums

- Reinsurance premiums** — When computing gross direct premiums, you may deduct reinsurance premiums, minus return premiums, that have been received by way of reinsurance from corporations or other insurers authorized to transact business in this state.
- Dividends paid or credited** — You may deduct dividends on direct premiums and unused or unabsorbed portions of premium deposits paid or credited to policyholders. This deduction does not include deferred dividends paid in cash to policyholders on maturing policies or cash surrender values.

### Schedule I — Computation of issuer's allocation percentage

Complete this schedule by entering New York gross direct premiums on line 100 and total gross direct premiums on line 101 as reported in your annual statement filed with the Superintendent of Insurance for the tax year.

Section 1085(a) of the Tax Law provides for a penalty of \$500 for failure to provide information needed to compute your issuer's allocation percentage.

### Schedule J — Composition of prepayments

**Line 112** — Include the amount of retaliatory tax credits from Form CT-33-R, line 19, and the amount of QEZE credit for real property taxes from Form CT-604, line 36, to be credited as an overpayment to next year's return.

### Recap of tax credits

Recap of tax credits claimed against current year's franchise tax return; see instructions for lines 9b and 12.

**Ordering of credits** — The Tax Law has been amended to provide for a new ordering of credits. The legislation is retroactive to tax years beginning on or after January 1, 2000. Tax credits under Article 33 must be applied in the following order:

- Empire Zone (EZ) capital credit.
- EZ and Zone Equivalent Area (ZEA) wage tax credits.
- Noncarryover credits that are not refundable.
- Carryover credits that are of limited duration.
- Carryover credits that are of unlimited duration.
- Refundable credits.

**Line 113** — Enter the total EZ capital credit and EZ and ZEA wage tax credits claimed that were used to reduce the tax due. The amount of these credits may not reduce the tax to less than the minimum tax of \$250. Enter in the appropriate boxes the total amount of the EZ and ZEA tax credits claimed.

**Empire zone wage tax credit** — Attach a copy of Form CT-601, *Claim for EZ Wage Tax Credit*.

**ZEA wage tax credit** — Attach a copy of Form CT-601.1, *Claim for ZEA Wage Tax Credit*.

**Empire zone capital tax credit** — Attach a copy of Form CT-602, *Claim for EZ Capital Tax Credit*.

**Line 114** — Enter the total tax credits claimed, **excluding** the EZ and ZEA tax credits claimed on line 113, that were used to reduce the tax due. Generally, these credits may not reduce the tax below the \$250 dollar minimum tax. However, the retaliatory tax credits and the fire insurance premiums tax credit may further reduce the tax due to zero. Enter in the appropriate boxes the total amount of each tax credit claimed.

**Fire insurance premiums tax credit** — Credit for taxes on premiums for any insurance on loss or damage by fire under sections 9104 and 9105 of the Insurance Law or under the charters of the cities of Buffalo or New York. These taxes must have been paid or accrued during the tax year covered by this return. The credit is limited to the amount reported on line 11 less the credits mentioned above. The credit cannot be carried over to any other year. Attach the *Report of Premiums*, including *Supplementary Schedules I and II*, when claiming this credit.

**Retaliatory tax credits** — Attach Form CT-33-R, *Claim for Retaliatory Tax Credits*, to claim these credits. Do not claim the MTA surcharge retaliatory tax credit on this form.

**CAPCO credit** — Attach Form CT-33.1, *Claim for CAPCO Credit*.

**Credit for employment of persons with disabilities** — Attach Form CT-41, *Claim for Credit for Employment of Persons with Disabilities*.

**Special additional mortgage recording tax credit** — Attach Form CT-43, *Claim for Special Additional Mortgage Recording Tax Credit*.

**Investment tax credit for the financial services industry** — Attach Form CT-44, *Claim for Investment Tax Credit for the Financial Services Industry*.

**Long-term care insurance credit** — Attach Form CT-249, *Claim for Long-Term Care Insurance Credit*.

**Defibrillator credit** — Attach Form CT-250, *Credit for Purchase of an Automated External Defibrillator*.

**QEZE credit for real property taxes** — Attach Form CT-604, *Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit*.

**QEZE tax reduction credit** — Attach Form CT-604, *Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit*.

**Low-income housing credit** — Attach Form DTF-624, *Claim for Low-Income Housing Credit*.

**Green building credit** — Attach Form DTF-630, *Claim for Green Building Credit*.

Enter in the *Other credits* box any credits being claimed on line 12 that are not specifically listed above and attach the appropriate form(s).

**Line 115** — Enter the total amount of refund eligible tax credits claimed on line 114. The retaliatory tax credits, QEZE real property tax credit, and the ITC for the financial services industry (if a qualified new business) are the only refund eligible credits.

**Privacy notification**

The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 171, 171-a, 287, 308, 429, 475, 505, 697, 1096, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i).

This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose.

Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.

**Need help?**



**Telephone assistance** is available from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday.

**For business tax information**, call the New York State Business Tax Information Center: 1 800 972-1233

**For general information:** 1 800 225-5829

To order forms and publications: 1 800 462-8100

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



**Fax-on-demand forms:** Forms are available 24 hours a day, 7 days a week. 1 800 748-3676



**Internet access:** [www.tax.state.ny.us](http://www.tax.state.ny.us)



**Hotline for the hearing and speech impaired:**

1 800 634-2110 from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday. If you do not own a telecommunications device for the deaf (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 1 800 225-5829.



**If you need to write**, address your letter to:

NYS TAX DEPARTMENT  
TAXPAYER CONTACT CENTER  
W A HARRIMAN CAMPUS  
ALBANY NY 12227

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