



Instructions for Form IT-230

Separate Tax on Lump-Sum Distributions



This form may be e-filed as an attachment to an e-filed return; you cannot e-file this form by itself.

General information

If you were a New York State resident or part-year resident individual, resident estate, or resident or part-year resident trust and you used federal Form 4972, *Tax on Lump-Sum Distributions*, to compute your federal tax on lump-sum distributions, you must use New York State Form IT-230 to compute your New York State separate tax on lump-sum distributions. You must make the same elections on Form IT-230 as you made on federal Form 4972. To make those elections, fill in the same parts of Form IT-230 that you filled in on federal Form 4972. Follow the instructions for Part 2 and Part 3.

If you were a New York State nonresident or part-year resident individual, nonresident estate or trust, or part-year resident trust and you received (or accrued) a lump-sum distribution from a qualified retirement plan in your period of nonresidence, the income is **not** taxable to New York State and therefore not subject to the New York State separate tax on lump-sum distributions. However, if you filed federal Form 4972 and used Part II because you chose the 20% capital gain election, you must complete Part 2, line 1 of Form IT-230 and the *Income percentage schedule* on page 3 of these instructions to compute the income percentage to enter on page 2, Worksheet C, line 6, and on Form IT-203, *Nonresident and Part-Year Resident Income Tax Return*, or IT-205-A, *Fiduciary Allocation*. Follow the line instructions for Part 2 on page 2.

If you were a New York City resident or a part-year New York City resident, compute your New York City separate tax on Form IT-230. New York City nonresidents are not subject to the **city** separate tax on lump-sum distributions.

If you were a Yonkers resident or part-year resident, compute your Yonkers resident income tax surcharge on Form IT-201, *Resident Income Tax Return*, or IT-203, based on your New York State separate tax on lump-sum distributions. You do not have to compute a separate tax on Form IT-230.

If you and your spouse were New York State residents or part-year residents and are filing a joint return, and you each received a lump-sum distribution, complete and file a separate Form IT-230 for each spouse and combine the tax shown on each form. Transfer the combined tax from Forms IT-230, Part 2 and/or Part 3, to the applicable worksheet and line as indicated on Form IT-230.

If you are filing for a New York State resident or part-year resident trust that shared the distribution only with other trusts, compute the tax on the entire distribution first. The trusts then share the tax in the same proportion that they shared the distribution.

Multiple recipients of lump-sum distribution — If you shared a lump-sum distribution from a qualified retirement plan when not all recipients were trusts, fill in the same parts of Form IT-230 that you filled in on federal Form 4972. If you used Part 3 of Form IT-230, compute your tax using the *Multiple recipients of lump-sum distribution worksheet* on the back of Form IT-230.

Officer, employee, or beneficiary of an officer or employee of New York State, the United States, or political subdivisions thereof — The following pension income received by a resident or part-year resident is **not** subject to the separate tax on lump-sum distributions but must be reported on Form IT-230 as described below.

- Any pension income you received from New York State and local governments in the state which includes:
 - State and City University of New York and New York State Education Department employees who belong to the Optional Retirement Program (see *Caution* below);
 - Metropolitan Transit Authority (MTA) Police 20-Year Retirement Program;
 - Manhattan and Bronx Surface Transit Operating Authority (MABSTOA); and
 - Long Island Railroad Company
- Any pension income you received from the United States, its territories or possessions, political subdivisions of these territories or possessions, the District of Columbia, or any agency or instrumentality of any of the above (including the military).

Caution: In the case of the Optional Retirement Program, only that portion of the lump-sum pension payment or return of contributions that is attributable to your employment with the State or City University of New York or New York State Education Department is **exempt** from the separate tax on lump-sum distributions.

The portion of the lump-sum pension payment or return of contributions that was attributable to your employment by a non-New York public employer, such as a private university, and any portion attributable to contributions you made to a supplemental annuity plan that was funded through a salary reduction program is subject to the separate tax on lump-sum distributions.

To satisfy the filing requirement, fill in Form IT-230, Part 1 and only Part 2, line 1 or Part 3, line 3, whichever is applicable. These amounts would be the same as those entered on federal Form 4972. Mark an **X** in the box, **From New York State or the United States or political subdivision**, in Part 1.

If, in addition to a lump-sum distribution received from New York State, or the United States, or their political subdivisions, you are reporting a lump-sum distribution from another source on federal Form 4972, include on Form IT-230 only the portion received from the other source.

Attach to Form IT-230 a statement showing the source and amount of each lump-sum distribution you reported on federal Form 4972.

Important reminder to file a complete return

You must complete all required schedules and forms that make up your return, and include all pages of those forms and schedules when you file. Attach **only** those forms and schedules that apply to your return, and be sure that you have made all required entries. Returns that are missing required pages or that have pages with missing entries are considered incomplete and cannot be processed, and may subject taxpayers to penalty and interest.

Filling in your tax forms

For complete information on how to fill in New York State scannable income tax forms, see the instructions for:

- resident return (Form IT-201),
- nonresident and part-year resident return (Form IT-203), or
- fiduciary return (IT-205).

Also see the instructions for the above returns for the *Privacy notification* or if you need help contacting the Tax Department.

Line instructions

Part 1

All filers must answer the question in Part 1.

If you answered *No*, do not complete the rest of Form IT-230.

If you answered *Yes*, complete Form IT-230, using federal Form 4972 and the Part 2 and Part 3 instructions. Attach Form IT-230 and a copy of federal Form 4972 to Form IT-201, IT-203, or IT-205.

Part 2

Full-year resident — If you used federal Form 4972, Part II, enter on Form IT-230, Part 2, line 1, the total capital gain part from federal Form 4972, Part II, line 6. Compute, and enter on line 2, the tax on the line 1 amount. Complete Worksheets A and B below, as applicable. (For filing status ②, *Married filing joint return*, compute one worksheet jointly.)

Worksheet A	
Full-year New York State residents	
1. New York State tax on capital gain portion of lump-sum distribution (from Form IT-230, Part 2, line 2, New York State column).....	1.
2. Enter amount from Form IT-201, line 40	2.
3. Enter amount from Form IT-201, line 39	3.
4. Subtract line 3 from line 2 (if line 3 is more than line 2, leave blank)	4.
5. Subtract line 4 from line 1. Enter here and on Form IT-201-ATT, line 19	5.

Worksheet B	
Full-year New York City residents	
1. New York City tax on capital gain portion of lump-sum distribution (from Form IT-230, Part 2, line 2, New York City column).....	1.
2. Enter amount from Form IT-201, line 48	2.
3. Enter amount from Form IT-201, line 47	3.
4. Subtract line 3 from line 2 (if line 3 is more than line 2, leave blank)	4.
5. Subtract line 4 from line 1. Enter here and on Form IT-201-ATT, line 33	5.

Part-year resident — Complete the *Income percentage schedule* on page 3 of these instructions. If you received (or accrued) a lump-sum distribution in your **period of residence** and you used federal Form 4972, Part II, enter on Form IT-230, Part 2, line 1, the total capital gain part from federal Form 4972, Part II, line 6. Compute, and enter on line 2, the tax on the line 1 amount. Complete Worksheets C and D below, as applicable. (For filing status ②, *Married filing joint return*, compute one worksheet jointly. If separate Forms IT-360.1, *Change of City Resident Status*, are being filed and you and your spouse each received a lump-sum distribution, complete and file a separate Form IT-230 and a separate Worksheet D for each spouse.)

If you received (or accrued) a lump-sum distribution in your **period of nonresidence** and you used federal Form 4972, Part II, because you chose the 20% capital gain election, you must complete Form IT-230, Part 2, line 1 only (do not compute a tax at line 2), and the *Income percentage schedule* on page 3 of these instructions.

Worksheet C	
Part-year New York State residents	
1. New York State tax on capital gain portion of lump-sum distribution (from Form IT-230, Part 2, line 2, New York State column).....	1.
2. Enter amount from Form IT-203, line 39	2.
3. Enter amount from Form IT-203, line 38	3.
4. Subtract line 3 from line 2 (if line 3 is more than line 2, leave blank)	4.
5. Subtract line 4 from line 1	5.
6. Enter Income percentage decimal (from Income percentage schedule, line 5, on page 3 of these instructions)	6.
7. Multiply the amount on line 5 by the decimal on line 6. Enter here and on Form IT-203-ATT, line 18	7.

Worksheet D	
Part-year New York City residents	
1. New York City tax on capital gain portion of lump-sum distribution (from Form IT-230, Part 2, line 2, New York City column).....	1.
2. Enter amount from Form IT-360.1, line 49	2.
3. Enter amount from Form IT-360.1, line 48	3.
4. Subtract line 3 from line 2 (if line 3 is more than line 2, leave blank)	4.
5. Subtract line 4 from line 1. Enter here and on Form IT-360.1, line 52	5.

Nonresident — If you filed federal Form 4972 and used Part II because you chose the 20% capital gain election, you must complete Form IT-230, Part 2, line 1 only (do not compute a tax at line 2) and the *Income percentage schedule* on page 3 of these instructions to compute the income percentage to enter on Form IT-203, line 45, or Form IT-205-A, Schedule 1, line 12.

Nonresident and part-year resident income percentage

All New York State nonresidents and part-year residents, or New York State nonresident estates or trusts and part-year resident trusts who used Form IT-230, Part 2, must complete lines 1 through 5 of the schedule below to compute the income percentage to enter on Worksheet C, line 6 (on page 2 of these instructions) and on Form IT-203, line 45, or on Form IT-205-A, Schedule 1, line 12.

To compute your income percentage, divide the amount from line 4 in the *New York State amount* column by the amount from line 4 in the *Federal amount* column. Round to the fourth decimal place. If the amount from line 4 in the *New York State amount* column is more than the amount from line 4 in the *Federal amount* column, the income percentage will be more than 100%.

Income percentage schedule

	Federal amount	New York State amount
1. Enter in the <i>Federal amount</i> column the amount from Form IT-203, line 31, <i>Federal amount</i> column, or from Form IT-205-A-I, page 2, <i>NYAGI Worksheet</i> , line 5. Enter in the <i>New York State amount</i> column the amount from Form IT-203, line 31, <i>New York State amount</i> column, or the amount from Form IT-205-A-I, page 2, <i>New York State income percentage worksheet</i> , line g	1.	
2. Enter in the <i>Federal amount</i> column the amount from Form IT-230, Part 2, line 1. (<i>This should be the same amount as shown on federal Form 4972, Part II, line 6.</i>)	2.	
3. <i>New York State amount</i> column* (<i>see footnote below</i>)	3.	
4. Add lines 1, 2, and 3 and enter result here.....	4.	
5. Income percentage: Divide line 4, <i>NYS amount</i> column by line 4, <i>Federal amount</i> column. Round to the fourth decimal place (<i>see instructions above</i>). $\frac{\text{NYS amount, line 4}}{\text{Fed. amount, line 4}} \dots\dots$	5.	

* **New York State amount column — Part-year resident**
Enter that part of the line 2 amount (federal capital gain part of the lump-sum distribution) that you received (or accrued) in your period of residence. For more information, see *Special accruals for part-year residents* in Form IT-203-I, *Instructions for Form IT-203*.

New York State nonresidents and part-year residents transfer the line 5 amount to Form IT-203, line 45. Part-year residents must also transfer the line 5 amount to Worksheet C, line 6 (on page 2 of these instructions). New York State nonresident estates or trusts and part-year resident trusts transfer the line 5 amount to Form IT-205-A, Schedule 1, line 12. Write **IPS** in the blank area to the left of the entry boxes at line 45 on Form IT-203; or line 12 on Form IT-205-A, Schedule 1.

Part 3

Line 3 — Nonresident: Do not enter any amount on line 3. This income is not taxable to a nonresident. Section 114 of Title 4 of the U.S. Code creates a limitation on state income taxation of certain pension income. The law is effective for pension income received in 1996 or thereafter and prohibits states from taxing certain retirement income of a nonresident including lump-sum distributions from a qualified retirement plan.

Lines 3 through 14 — Part-year resident: If you used federal Form 4972, Part III, and you moved into or out of New York State, you are subject to the New York State separate tax on the ordinary income portion of a lump-sum distribution you received (or accrued) in your period of residence (from federal Form 4972, Part III, line 8). If you were a part-year resident who received or accrued a lump-sum distribution from a qualified retirement plan in your nonresident period, the income is not taxable. See *Line 3 — Nonresident* above.

Line 4 — The death benefit exclusion allowed on federal Form 4972 for a beneficiary of a plan participant who died before August 21, 1996, will also be allowed on Form IT-230. However, if the sum of the capital gain and/or ordinary income part of the lump-sum distribution reported for federal purposes includes a lump-sum distribution from a pension plan of a deceased employee of New York State, or the United States, or their political subdivisions, the exclusion allowable for New York State purposes is determined by multiplying the federal exclusion by a fraction whose numerator is the sum of the capital gain and/or ordinary income part subject to New York State separate tax, and whose denominator is the sum of the capital gain and/or ordinary income part reported for federal purposes.

10-year tax option, lines 19 and 22 — Use the tax rate schedule(s) on page 4 to complete Part 3, lines 19 and 22 (New York City residents and part-year New York City residents: use both schedules).

Tax rate schedules for 10-year tax option

New York State tax rate schedule

If Part 3, line 18 or 21 is:		enter on Part 3, line 19 or 22 in <i>New York State</i> column				
over	but not over					
\$ 0	\$ 1,000	2% of taxable amount				
1,000	3,000	\$ 20 plus	3%	of excess over	\$ 1,000	
3,000	5,000	80 plus	4%	" "	3,000	
5,000	7,000	160 plus	5%	" "	5,000	
7,000	9,000	260 plus	6%	" "	7,000	
9,000	11,000	380 plus	7%	" "	9,000	
11,000	13,500	520 plus	8%	" "	11,000	
13,500	16,000	720 plus	9%	" "	13,500	
16,000	18,500	945 plus	10%	" "	16,000	
18,500	21,000	1,195 plus	11%	" "	18,500	
21,000	23,500	1,470 plus	12%	" "	21,000	
23,500	26,000	1,770 plus	13%	" "	23,500	
26,000		2,095 plus	13.5%	" "	26,000	

New York City tax rate schedule

If Part 3, line 18 or 21 is:		enter on Part 3, line 19 or 22 in <i>New York City</i> column				
over	but not over					
\$ 0	\$ 1,000	0.9% of taxable amount				
1,000	3,000	\$ 9 plus	1.4%	of excess over	\$ 1,000	
3,000	5,000	37 plus	1.8%	" "	3,000	
5,000	7,000	73 plus	2.0%	" "	5,000	
7,000	9,000	113 plus	2.3%	" "	7,000	
9,000	11,000	159 plus	2.5%	" "	9,000	
11,000	13,000	209 plus	2.7%	" "	11,000	
13,000	15,000	263 plus	2.9%	" "	13,000	
15,000	17,000	321 plus	3.1%	" "	15,000	
17,000	19,000	383 plus	3.3%	" "	17,000	
19,000	21,000	449 plus	3.5%	" "	19,000	
21,000	23,000	519 plus	3.8%	" "	21,000	
23,000	25,000	595 plus	4.0%	" "	23,000	
25,000		675 plus	4.3%	" "	25,000	