



Instructions for Form CT-222

Underpayment of Estimated Tax by a Corporation

CT-222-I

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. 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.

General information

All general business corporations (including S corporations), banking, insurance, utilities (including providers of telecommunication services), and transportation and transmission corporations whose applicable tax for the current tax year can reasonably be expected to be more than \$1,000 after credits must file a declaration of estimated tax and make quarterly installment payments.

Any corporation doing business in the Metropolitan Commuter Transportation District (MCTD) that is required to make a declaration of estimated tax must also make a declaration of estimated metropolitan transportation business tax (MTA surcharge) and make quarterly installment payments.

If you do not pay the required installment payments on time and in the correct amounts, you will have to pay an underpayment penalty for the period of underpayment.

The penalty is figured separately for each installment due date. Therefore, you may owe a penalty for an earlier due date even if you paid enough tax later to make up the underpayment. This is true even if you are due a refund when your tax return is filed. However, the penalty may be reduced or eliminated if you qualify for an exception. The penalty is computed for the period of underpayment at a rate set by Tax Law, Article 27, section 1096(e). Daily compounding of interest does not apply.

Estimated tax payments required by partnerships, limited liability companies (LLCs), and New York S corporations

All partnerships, LLCs that are treated as partnerships for federal purposes, and New York S corporations that had income from New York sources are required to pay estimated taxes on behalf of nonresident individuals and C corporation partners, members, or shareholders on their distributive or pro rata share of the respective entity's income. See Form IT-2659, *Estimated Tax Penalties for Partnerships and New York S Corporations*, to determine if you underpaid estimated tax and, if so, to compute the penalty due.

Who must file

Generally, you do not have to file this form with your applicable tax return because New York State will compute the amount of any penalty and notify you of any amount due. However, even if you do not owe a penalty, or owe a lesser penalty, due to the exceptions below, complete and attach this form to your tax return if the line 1 amount exceeds \$1,000 and any of the following exceptions apply (note that no exceptions may be applied to the mandatory first installment (MFI)):

1. the adjusted seasonal installment method (this exception only applies when the highest tax base, before credits, for the tax

year for which the penalty is being computed is the entire net income (ENI) base or one of the following bases:

- minimum taxable income (MTI) base (Article 9-A)
 - fixed dollar minimum tax (Article 9-A)
 - alternative ENI (Article 32)
 - tax on premiums (Article 33)
 - alternative tax (Article 33)
 - gross earnings or gross income (Article 9));
2. the annualized income installment method (this exception only applies when the highest tax base, before credits, for the tax year for which the penalty is being computed is one of the bases specified for the adjusted seasonal method above);
 3. you are **not** a large corporation and you are computing your estimated tax based on the prior year's tax, provided that the prior year consisted of 12 months and your return showed a tax liability;
 4. you are **not** a large corporation and you are computing your estimated tax by applying to the tax base on which your current year's tax was paid, the facts shown on your return for, and the law applicable to, the preceding tax year, but using the rates applicable to the current year.

A *large corporation* is one that had, or whose predecessor had, ENI or allocated ENI of at least \$1 million for any of the three tax years immediately preceding the tax year involved. A corporation filing its first return would be deemed to be a small corporation. **Article 33 filers:** for a non-life insurance corporation subject to tax under Tax Law section 1502-a, a *large corporation* is one that had direct premiums, subject to the premiums tax under Tax Law section 1502-a, exceeding \$3.75 million for any of the three preceding tax years beginning on or after January 1, 2003.

Note: Article 9 filers are never considered large corporations.

Payment of estimated tax

MFI — To avoid an underpayment of estimated tax penalty, if your franchise, excise, or gross receipts tax after credits on your previous year's return, or on your request for extension of time for filing that return, is more than \$1,000, you must pay 25% of that tax with the return or extension. If you are a domestic, foreign, or life insurance corporation subject to tax under Tax Law section 1510(b)(1), and the tax after credits exceeds \$1,000, the percentage is 40%.

If you are liable for the MTA surcharge, a 25% MFI is required if your franchise, excise, or gross receipts tax after credits for the same period as in the paragraph above is more than \$1,000. If you are subject to Tax Law section 1510(b)(1), and the tax after credits exceeds \$1,000, the percentage is 40%.

The second, third, and fourth installments of estimated tax and estimated MTA surcharge are due on the fifteenth day of the sixth, ninth, and twelfth months of your tax year. The amount of each installment is 33⅓% of the estimated tax less the MFI. However, corporations that are **not** large corporations are allowed to make second, third, and fourth installments so that each of those installments is 33⅓% of 91% of the estimated tax less the MFI. The estimated tax is the tax, less allowable credits, shown on the return for the year for which the estimated tax payments were made (or if no return was filed, the tax for that year) unless an exception applies. This amount is referred to in this form as the *current year amount*.

Where you use either exception number 1 or 2 under *Who must file* to reduce the amount of a second, third, or fourth installment that would otherwise be due, the reduction must be recaptured by increasing the amount of the next installment by the amount of the reduction when the next installment is either an amount determined without using an exception, or an amount determined using exception number 3 or 4 under *Who must file*. Subsequent installments must be increased to the extent that the reduction has not previously been recaptured.

Exception to the penalty

You will not have to pay a penalty if the tax shown on your 2008 return is less than \$1,000.

How to use Form CT-222

Complete Part 1 to determine the annual payment. Part 1 determines the least of the following annual payment amounts: the current year amount from line 2; the line 8 exception amount from line 3; or the line 9 exception amount from line 4.

Part 2 is used to inform the Tax Department which exception you are using to reduce or eliminate the underpayment penalty.

The remainder of the form is used to make the actual determination as to which, if any, exceptions apply, and to compute the amount of any penalty on an underpayment of an installment amount.

If an exception(s) applies, mark an **X** in the applicable box(es) in Part 2. If any box in Part 2 is marked, attach Form CT-222 to your tax return. Also, mark the box on the appropriate line on your tax return to inform us you are filing Form CT-222.

Complete Schedule A if the box on line 6 and/or line 7 is marked. Complete Schedule B if the box on line 9 is marked.

Percentages

When computing percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Round percentages to four decimal places.

Example: $5,000/7,500 = 0.6666666 = 66.6667\%$.

Entering dates

Unless you are specifically directed to use a different format, enter dates in the *mm-dd-yy* format (using dashes and not slashes).

Line instructions

Part 2 — Reasons for filing

Lines 6 and 7 — Adjusted seasonal installment method and/or annualized income installment method. If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to reduce or eliminate the amount of one or more required installments by using the adjusted seasonal installment method and/or the annualized income installment method. The adjusted seasonal method does not apply when you have less than three tax years filed with New York State.

Example: *A ski shop, which receives most of its income during the winter months, may benefit from using one or both of these methods to figure its required installments. The annualized income installment or adjusted seasonal installment may be less than the installment under the least of the current year amount, line 8 exception, or line 9 exception.*

Note: See *Who must file* for when these methods may be used.

Part 3 — Computing the underpayment

For lines 11 through 19, complete one column before going to the next column.

Line 10 — You are generally required to enter the 15th day of the 3rd, 6th, 9th and 12th months of your tax year.

Line 11 — For column A, compute the MFI by multiplying line 3 by 25% (.25) or 40% (.40), as applicable. If a large corporation, and line 3 is not completed, multiply the applicable percentage by the amount that would have been entered on line 3. See *Payment of estimated tax* for the applicable percentage to enter.

If the box on lines 8 or 9, but not lines 6 or 7, is marked, subtract column A from line 5 and divide by three. Enter this result in columns B, C, and D. If either of the boxes on line 6 or line 7 is marked, complete Schedule A and enter the amounts from line 93 in columns B, C, and D.

For the exceptions on lines 6, 7, and 9, the installments should be computed without regard to any increase in the rates applicable to the tax year that may have become effective after the first day of the seventh month of that year.

Line 12 — Enter the estimated tax payments made by you for your tax year as indicated in the *Column A* and *Columns B, C, and D* instructions. Include any amounts paid on time on your behalf by a partnership. If an installment is due on a Saturday, Sunday, or legal holiday, payments made on the next day that is not a Saturday, Sunday or legal holiday are considered made on the due date to the extent the payment is applied against that required installment.

Column A — Enter payments made by the due date on line 10, column A. Also enter this amount on line 16, column A.

Columns B, C, and D — Enter payments made by the date on line 10 for that column and after the date on line 10 of the preceding column. Do not include overpayments of tax from prior installment periods.

A payment of estimated tax is applied against underpayments or required installments in the order which the installments are required to be paid, regardless of the installment to which the payment pertains.

Example: *Calendar-year taxpayer*

	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>
<i>Due date</i>	3/15	6/15	9/15	12/15
<i>25% of prior year tax or MTA surcharge</i>	2,000			
<i>Installment amount due</i>	2,000	1,000	1,000	1,000
<i>Paid on time or credited</i>	2,000	0	500*	1,000**
<i>Underpayment</i>	0	1,000	500	0

*Paid \$1,500 on 9/15; \$1,000 applied to 6/15 installment; \$500 applied to 9/15 installment. Therefore, penalty is due on \$1,000 from 6/15 to 9/15.

**Paid \$1,500 on 12/15; \$500 applied to 9/15 installment; \$1,000 applied to 12/15 installment. Therefore, penalty is due on \$500 from 9/15 to 12/15.

Line 18 — Complete lines 20 through 45 to determine the amount of the penalty on any underpayments shown on line 18.

Part 4 — Computation of the underpayment penalty

A payment of estimated tax is applied against unpaid required installments in the order in which installments are required to be paid, regardless of the installment to which the payment pertains.

The penalty is computed for the period of underpayment using the underpayment rate determined under Tax Law section 1096(e). The period of underpayment runs from the installment due date to the earlier of the date the underpayment is actually paid in full or the 15th day of the 3rd month after the close of the tax year.

Example: A corporation underpaid the 3/15 installment by \$1,000. The 6/15 installment requires a payment of \$2,500. On 6/10, the corporation deposits \$2,500 to cover the 6/15 installment. However, \$1,000 of this payment is applied against the 3/15 installment. The penalty for the 3/15 installment is figured from 3/15 to 6/10 (88 days). Therefore, 6/10 would be entered in line 20, column A. The remaining \$1,500 is applied to the 6/15 installment as if it were made on 6/15.

If you have made more than one payment for a required installment, attach a separate computation for each payment.

Line 41 — In each of columns B, C, and D, add the amount on line 12 to the amount on line 13. If the resulting sum for a column equals or exceeds the amount computed on line 45, multiply line 40 by 75% (.75), and enter on line 41. If the resulting sum does not exceed the amount on line 45, enter the amount from line 40. Note that the 75% provision does not apply to the MFI (column A).

Schedule A

See *Who must file* for when the adjusted seasonal installment method or the annualized income installment method may be used. The same requirements apply for using either method for MTA surcharge purposes.

Use Schedule A to figure one or more required installments when the adjusted seasonal installment or annualized installment method is used. If Schedule A is used for any payment due date, it must be completed for all payment due dates. To arrive at the amount of each required installment, Schedule A automatically selects the smallest of:

- the adjusted seasonal installment (if applicable);
- the annualized income installment (if applicable);
- the installment under the least of the current year, line 8 exception, or line 9 exception (increased by any recapture of a reduction in a required installment, when applicable).

Follow the steps below to determine which parts of Schedule A have to be completed:

- If you are using only the adjusted seasonal installment method, mark an **X** in the box on line 6 and complete Schedule A, Parts 1 and 3.
- If you are using only the annualized income installment method, mark an **X** in the box on line 7 and complete Schedule A, Parts 2 and 3.
- If you are using both methods, mark an **X** in the boxes on lines 6 and 7 and complete all three parts in Schedule A.

Schedule A, Part 1 — Adjusted seasonal installment method

You can use the adjusted seasonal installment method only if your base period percentage for any six consecutive months is 70% or more. When the base period percentage is 70% or more, you may also use the adjusted seasonal method for MTA surcharge purposes. The base period percentage for any period of six consecutive months is the average of the three percentages computed by dividing ENI, for the corresponding six consecutive month period in each of the three preceding tax years by the total ENI, for each of the three preceding tax years. Note that, for purposes of computing the base period percentage, in lieu of ENI, you must use one of the bases set forth in Item 1 under *Who must file*, when such other base is the highest tax base, before credits, for the tax year for which the penalty is being computed. Compute the base period percentage using the 6-month period in which you normally receive the largest part of your taxable income.

Example: An amusement park with a 2008 calendar tax year receives the largest part of its ENI during the 6-month period from May through October. To compute its base period percentage for this 6-month period in 2008, the amusement park figures its ENI for each May-October period in 2005, 2006, and 2007. It then divides the ENI for each May-October period by the total ENI for that particular tax year. Assume the resulting percentages are: 69% for May-October 2005, 74% for May-October 2006, and 67% for May-October 2007. Because the average of 69%, 74%, and 67% is 70%, the base period percentage for May-October is 70%. Therefore the amusement park qualifies for the adjusted seasonal installment method.

Line 61 — For MTA surcharge purposes, you must first figure the franchise, gross receipts, or excise tax on the line 60 amount. Then, you must apply the appropriate worksheet from your MTA surcharge return to that tax amount. This result is then multiplied by the MCTD allocation percentage. Finally, that result is multiplied by the MTA surcharge tax rate of 17%.

Line 68 — Enter any other tax amounts that are part of the computation of the total tax amount on line 1. Examples include, but are not limited to, the tax on subsidiary capital and, for Form CT-33 or CT-33-A filers, the tax on premiums.

Schedule A, Part 2 — Annualized income installment method

Line 74 — Annualized periods — Enter on line 74, columns B through D, respectively, the annualization periods for the option shown in the tables below. For example, if you elected option 1, enter on line 74 the annualization periods 4, 7, and 10, in columns B through D, respectively.

	2 nd installment	3 rd installment	4 th installment
Standard option	3	6	9
Option 1	4	7	10
Option 2	5	8	11

Use option 1 or option 2 only if you elected to do so by filing Form CT-222.1, *Election to Use Different Annualization Periods for Corporate Estimated Tax*, by the due date of your declaration of estimated tax. Once made, the election is irrevocable for that tax year.

Line 75 — Enter on line 75 all items of receipts, income, and expenses that were included in your computation of tax that you received for the months entered for each annualization period in columns B through D on line 74.

Line 76 — Enter on line 76, columns B through D, respectively, the annualization amounts shown in the table below for the option used for line 74. For example, if you elected option 1, enter on line 76 the annualization amounts 3, 1.71429, and 1.2, in columns B through D, respectively.

	2 nd installment	3 rd installment	4 th installment
Standard option	4	2	1.33333
Option 1	3	1.71429	1.2
Option 2	2.4	1.5	1.09091

Line 78 — For MTA surcharge purposes, you must first figure the franchise, gross receipts, or excise tax on the line 77 amount. Then you must apply the appropriate worksheet from your MTA surcharge return to that tax amount. This result is then multiplied by the MCTD allocation percentage. Finally, that result is multiplied by the MTA surcharge tax rate of 17%.

Line 79 — Enter any other tax amounts that are part of the computation of the total tax amount on line 1. Examples include, but are not limited to, the tax on subsidiary capital and, for Form CT-33 or CT-33-A filers, the tax on premiums.

Line 81 — Enter the credits you are entitled to for the months shown in each column on line 74. Do not annualize any credit. However, when figuring the credits, annualize any item of income or deduction used to figure the credit.

Schedule B — Line 9 exception

Compute this exception using only the tax base which was used to compute the current year's tax. For example, if the highest liability before credits in 2008 is the ENI base, then line 94 would be completed, and lines 95, 96, and 97 would be skipped. Article 9, 32, and 33 filers make substitutions where necessary (for example, to include the correct applicable tax base). When using this exception for MTA surcharge purposes for lines 94, 95, and 96, in lieu of multiplying the applicable 2007 tax base by the applicable 2008 rate, apply the appropriate MTA surcharge return worksheet to the applicable 2007 tax base.

Line 100 — Enter any other tax amounts that are part of the computation of the total tax amount on line 1. Examples include, but are not limited to, the tax on subsidiary capital and, for Form CT-33 or CT-33-A filers, the tax on premiums.
