



# Instructions for Form CT-225

## New York State Modifications

# CT-225-I

All citations are to New York State Tax Law sections unless specifically noted otherwise.

## General information

### Who must file

You must complete Form CT-225 and attach it to Form CT-3, *General Business Corporation Franchise Tax Return*, CT-3-S, *New York S Corporation Franchise Tax Return*, or CT-33, *Life Insurance Corporation Franchise Tax Return*, to report certain New York additions to, and certain New York subtractions from, federal income that are entered on:

- Form CT-3, Part 3, lines 2 and 4
- Form CT-34-SH, *New York S Corporation Shareholder's Information Schedule*, lines 3 and 5
- Form CT-33, lines 71 and 79

A corporation filing as a member of a combined group under Tax Law Article 9-A or 33 must file Form CT-225-A, *New York State Modifications (for filers of combined franchise tax returns)* and Form CT-225-A/B, *Group Member's Detail Spreadsheet*, (if applicable), instead of Form CT-225.

### General instructions

Form CT-225 is used to inform the Tax Department which additions to and subtractions from federal taxable income (FTI) a New York C corporation is reporting, where such additions and subtractions do not have a specific reporting line on Form CT-3 or CT-33. For Article 9-A, an alien corporation that under any provision of the Internal Revenue Code (IRC) is not treated as a *domestic corporation*, as defined in IRC section 7701, reads *FTI* to mean entire taxable income, gain, or loss, that is effectively connected with the conduct of a trade or business within the U.S., as determined under IRC section 882. Since the New York C corporation is required to make the addition or subtraction modification, the required modifications are set forth in Tax Law Article 9-A (for general business corporations) or Article 33 (for life insurance corporations).

New York S corporations file Form CT-225 to inform the Tax Department which modifications are being reported in summation on Form CT-34-SH, lines 3 and 5. Therefore, when a New York S corporation reports a modification on this form, a **shareholder** of the New York S corporation must add or subtract his or her share of the modification from his or her recomputed federal adjusted gross income (AGI) when computing his or her New York AGI. Since the shareholder is **ultimately** required to make the addition or subtraction modification, the required modifications are set forth in Tax Law Article 22.

**Note:** *Recomputed federal AGI* means federal AGI after addition and subtraction adjustments from Form IT-558.

The addition and subtraction modifications are reported on this form using numbers assigned to each modification. Schedule A is used to report additions and Schedule B is used to report subtractions. See *New York State addition and subtraction modification charts* at the end of these instructions for a listing of the modifications. An **X** in a column under a specific form means the modification in that row may need to be reported by a filer of that specific form.

In either Schedule A or Schedule B, **Part 1**, use the modification number with the prefix of *A* or *S* to report modifications

generated by the entity filing this Form CT-225. In either Schedule A or Schedule B, **Part 2**, use the modification number with the prefix of *EA* or *ES* to report that the filer's share of these modifications flow through to the entity filing this Form CT-225 from a partnership, estate, or trust.

You may have the same modification number listed in both Parts 1 and 2 of either Schedule A or B. For example, a corporation uses addition modification number *A-212* in Schedule A, Part 1, for environmental remediation insurance premiums it deducted in computing federal income and for which it is taking a New York State tax credit. Then, the corporation also enters number *EA-212* in Schedule A, Part 2, for its share of the amount of environmental remediation insurance premiums a partnership in which the corporation is a partner has deducted in computing partnership income federally, when the partnership is allowed a New York State tax credit for those premiums and a share of the credit flowed through to the corporation.

**Note:** A corporation that is a qualified entity (or a corporate partner of a qualified entity) in an innovation hot spot must transfer to Form CT-225 the amount of income or gain attributable to the innovation hot spot(s) reported on Form CT-223, *Innovation Hot Spot Deduction*.

**Additional forms** – If you have more entries than there are lines in any part, submit a separate Form(s) CT-225 listing the other addition and/or subtraction modifications.

## Line instructions

**Note:** All amounts entered on any of the lines must be entered as a **positive** number.

**Corporations** (includes federal and New York State S corporations)

- Complete Schedule A, Part 1, to report certain New York State **additions** to federal income that did **not** flow through to you from a partnership, estate, or trust.
- Complete Schedule B, Part 1, to report certain New York State **subtractions** from federal income that did **not** flow through to you from a partnership, estate, or trust.

**Corporate partners and beneficiaries**

- Complete Schedule A, Part 2, to report your share of certain New York State **additions** to federal income from a partnership, estate, or trust.
- Complete Schedule B, Part 2, to report your share of certain New York State **subtractions** from federal income from a partnership, estate, or trust.

**Corporate partners filing under Article 9-A:** The amount of certain New York State additions and/or subtractions to enter from each partnership should be reported to you by the partnership on Form IT-204-CP, *New York Corporate Partner's Schedule K-1*.

## Schedule A – Certain New York State additions to federal income

**Part 1 – For certain additions to federal income that did not flow through from a partnership, estate, or trust**

**Lines 1a through 1p** – Enter the applicable New York State addition modification number(s) and amount(s). See *New York State additions*.

## Part 2 – Corporation’s share of certain additions to federal income from a partnership, estate, or trust

**Lines 3a through 3p** – Enter the applicable New York State addition modification number(s) and amount(s). If you are a partner or beneficiary in more than one partnership, estate, or trust, the amount to enter for a specific other addition is the total amount of that specific addition that flows through from all partnerships, estates, or trusts.

**Line 5** – The amount entered on this line must be a **positive** number. Transfer the amount from this line to Form CT-3, Part 3, line 2; Form CT-34-SH, line 3; or Form CT-33, line 71.

## Schedule B – Certain New York State subtractions from federal income

### Part 1 – For certain subtractions from federal income that did not flow through from a partnership, estate, or trust

**Lines 6a through 6p** – Enter the applicable New York State subtraction modification number(s) and amount(s). See *New York State subtractions*.

### Part 2 – Corporation’s share of certain subtractions from federal income from a partnership, estate, or trust

**Lines 8a through 8p** – Enter the applicable New York State subtraction modification number(s) and amount(s). If you are a partner or beneficiary in more than one partnership, estate, or trust, the amount to enter for a specific other subtraction is the total amount of that specific subtraction that flows through from all partnerships, estates, or trusts.

**Line 10** – The amount entered on this line must be a **positive** number. Transfer the amount from this line to Form CT-3, Part 3, line 4; Form CT-34-SH, line 5; or Form CT-33, line 79.

## New York State addition and subtraction modifications

### New York State additions

**A-102 Income from certain obligations of U.S. government agencies or instrumentalities** (*CT-3-S filers only*) – If, during the tax year, any interest or dividend income from any U.S. government authority, commission, or instrumentality that federal laws exempt from federal income tax but do not exempt from state income tax was received or credited, then enter that income. If you are uncertain whether a particular federal bond or obligation is subject to state income tax, contact the Tax Department. (§612(b)(2))

**A-105 Federal deduction for special additional mortgage recording tax** (*CT-3 and CT-33 filers only*) – You must include the amount claimed as a New York State tax credit that was also deducted when computing federal income. (§§208.9(b)(4-a) and 1503(b)(2)(E))

**A-106 Special additional mortgage recording tax basis adjustment** (*CT-3 and CT-33 filers only*) – The gain or loss on the sale of real property on which the special additional mortgage recording tax credit was claimed that is included in the computation of federal income must be increased, in the case of a gain, or decreased in the case of a loss, when any portion of the credit was not reflected in the computation of the federal gain or loss. (§§208.9(b)(4-a) and 1503(b)(2)(F))

**A-109 New business investment; deferral recognition** (*CT-3-S filers only*) – If, in any tax year beginning on or after January 1, 1982, and before 1988, you chose to subtract all or a portion of a long term capital gain from your federal income because that amount had been reinvested in a new New York business, and if that reinvestment was sold in the current tax year, then enter the amount that had been previously subtracted. (§612(b)(22))

**A-110 Qualified emerging technology investments (QETI)** – If you elected to defer the gain from the sale of QETI, then you must add to your applicable federal income the amount previously deferred when the reinvestment in the New York qualified emerging technology company (QETC) that qualified you for that deferral is sold. (§§612(b)(35), 208.9(m), and 1503(b)(13)) Also see S-115.

### A-111 Expenses relating to income exempt from New York State tax

 (*CT-3-S filers only*)

- If your federal income includes a deduction for interest expense on loans used to buy bonds, obligations, or securities whose interest income is taxable for federal purposes but exempt from New York State tax, then include that interest expense. (§612(b)(4))
- If your federal income includes a deduction for the amortization of bond premiums on bonds whose interest income is taxable for federal purposes but exempt from New York State tax, then include that amortized premium. (§612(b)(5))
- If your federal income includes a deduction for expenses relating to the production or collection of income exempt from New York State tax, then include those expenses. (§612(b)(5))

**A-113 Interest income on state and local bonds and obligations (but not those of New York State or its local governments)** (*CT-3-S filers only*) – Interest income on obligations of other states or political subdivisions of those states that is exempt from federal income tax is subject to New York State tax. This includes interest income on state and local bonds (but not those of New York State and local governments within the state), interest and dividend income from tax-exempt bond mutual funds, and tax-exempt money market funds that invest in obligations of states other than New York. (§612(b)(1))

**A-114 Form 4970 accumulation distribution of trusts** (*CT-3-S filers only*) – If you filed federal Form 4970, *Tax on Accumulation Distribution of Trusts*, you must include the amount of income you reported on Form 4970, line 1, less any interest income on state and local bonds and obligations on New York State and its local governments (that was included on Form 4970, line 5). (IRC sections 665 and 667)

**A-116 Resident beneficiary accumulation distribution** (*CT-3-S filers only*) – For tax years beginning on or after January 1, 2014, if you are the beneficiary of a trust that, in any tax year, was not subject to tax under §605(b)(3)(D) (except for an incomplete gift non-grantor trust), then you must add to your recomputed federal AGI the amount determined under the first sentence of IRC section 677 for the tax year, to the extent not included in recomputed federal AGI. In computing the amount to be added, the beneficiary **must** disregard IRC section 665(c), income earned by the trust in any tax year the trust was subject to New York tax, and income earned by the trust in any tax year before the beneficiary first became a resident of New York. Do **not** include any income paid to a beneficiary before June 1, 2014. (§612(b)(40)) For more information, see TSB-M-14(3)l, *Important Information for Beneficiaries and Grantors of Exempt Resident Trusts*.

**A-117 Incomplete gift non-grantor trust** (*CT-3-S filers only*) – If you transferred property to an incomplete gift non-grantor trust,

then include the income (less deductions) of the trust, to the extent such income would be taken into account in computing your applicable federal income if the trust in its entirety were treated as a grantor trust for federal tax purposes.

An incomplete gift non-grantor trust means a resident trust that does not qualify as a grantor trust under IRC sections 671 through 679 and the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC section 2511 and its regulations. Do not include any income from a trust that was liquidated before June 1, 2014. (§612(b)(41))

**A-201 Personal income taxes and unincorporated business taxes deducted in determining partnership ordinary income** (*CT-3-S filers that are corporate partners only*) (§612(b)(3))

**A-202 Percentage depletion** (*CT-3-S filers only*) – You must include any amount deducted in computing your federal income for percentage depletion on mines, oil and gas wells, and other natural deposits. (§612(b)(10)) Also see S-206.

**A-203 Safe harbor leases** (*CT-3 and CT-3-S filers only*) – You must include any amount you claimed as a deduction attributable to a safe harbor lease (except for mass transit vehicles) in computing your applicable federal income solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983. (§§612(b)(23) and 208.9(b)(8)) Also see A-204, S-208, and S-209.

**A-204 Safe harbor leases** (*CT-3 and CT-3-S filers only*) – You must include any amount you would have been required to include in the computation of your applicable federal income attributable to a safe harbor lease (except for mass transit vehicles) if you had not made the election permitted under IRC section 168(f)(8) as it was in effect on December 31, 1983. (§§612(b)(24) and 208.9(b)(9)) Also see S-208, S-209, and A-203.

**A-205 Accelerated cost recovery system (ACRS) deduction** (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, *New York State Depreciation Schedule*, and you must attach it to Form CT-34-SH. (§612(b)(25))

**A-206 ACRS year of disposition adjustment** (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, Part 2 to determine the amount, if any, to include on this line. Attach Form IT-399 to Form CT-34-SH. (§612(b)(27))

**A-207 Federal deduction for farmers' school taxes** (*CT-3 filers only*) – You must include the amount of real property taxes paid on qualified agricultural property and deducted in determining FTI, to the extent of the amount of the credit allowed under §210-B.11. (§208.9.(b)(15))

**A-208 Federal IRC section 179 deduction for a sport utility vehicle (SUV)** (*CT-3 and CT-3-S filers only*) – If you are not an eligible farmer, you are required to add back the amount of the IRC section 179 deduction for an SUV that weighs more than 6,000 pounds claimed in computing federal income. (§§612(b)(36) and 208.9(b)(16))

**A-209 IRC section 168(k) property depreciation** (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*, Part 1 to determine the amount to include in this addition. Attach Form IT-398 to Form CT-34-SH. (§612(b)(8))

**A-210 Special depreciation** (*CT-3-S filers that are corporate partners only*) (§612(b)(6))

**A-211 Royalty payment(s)** – You must include royalty payments directly or indirectly paid, accrued, or incurred in connection with one or more direct or indirect transactions with one or more related members during the tax year to the extent deductible in calculating your applicable federal income. Exceptions to this addback apply. (§§612(b)(18), 208.9(o), and 1503(b)(14))

For more information on the exceptions, see TSB-M-13(6)C, *Summary of Budget Bill Corporation Tax Changes Enacted in 2013 – Effective for Tax Years 2013 and After*. If you file Form CT-3-S or CT-33 and believe you do not have to make this addback as a result of one of the exceptions, attach a statement to your return explaining how you meet each requirement for the exception, and indicate the amount of royalty payments excluded.

**A-212 Federal deduction for environmental remediation insurance premiums** – You must include the amount of premiums paid for environmental remediation insurance and deducted in determining federal income, to the extent of the amount of the credit allowed under §23. (§§612(b)(37), 208.9(b)(18), and 1503(b)(2)(N-1))

**A-214 Federal deduction for the metropolitan commuter transportation mobility tax (MCTMT) under Tax Law Article 23** (*CT-3-S and CT-33 filers only*) – If you claimed a federal deduction for the MCTMT, then you must enter the amount deducted in determining federal income. (§§612(b)(39) and 1503(b)(2)(V))

**A-216 Federal deduction for real property taxes of manufacturers** (*CT-3 and CT-3-S filers only*) – If you claimed any federal deduction for real property taxes and you also claimed the manufacturer's real property tax credit, Form CT-641, *Manufacturer's Real Property Tax Credit*, then enter the amount of the federal deduction for real property taxes used as the basis of the calculation of such credit. (§§612(b)(40) and 208.9(b)(21))

**A-217 Federal deduction for Tax Law section 186-e tax that flow through to a START-UP NY business** (*CT-3 and CT-3-S filers only*) – If you claimed any federal deduction for the New York State excise tax on telecommunication services that were passed on to you by your telecommunication provider, and you also claimed the START-UP NY telecommunication services excise tax credit on Form CT-640, *START-UP NY Telecommunication Services Excise Tax Credit*, then enter the amount of the federal deduction for excise taxes of telecommunication services used as the basis of the calculation of such credit. (§§612(b)(39-a) and 208.9(b)(20-a))

**A-218 Farm donations to food pantries** (*CT-3 filers only*) – You must include the amount of any deduction for charitable contributions allowed under IRC section 170 to the extent such contributions are used as the basis of the calculation of the farm donations to food pantries credit under §210-B.52. (§208.9(b)(22)).

**A-301 Reduction for S corporation taxes** (*CT-3-S filers only*) – You must include the New York State S corporation's reductions for federal taxes imposed on built-in gains and reductions for federal taxes imposed on excess net passive income as described in IRC sections 1366(f)(2) and (3). (§612(b)(18))

**A-502 Addback pursuant to §§208.9(c-2) and 208.9(c-3)** (*CT-3 filers only*) – Qualified public utility corporations, qualified power producers, and qualified pipeline corporations, see the instructions for Form CT-224, *Public Utility, Power Producer, and Pipeline Adjustments*.

**A-504 Interest on federal, state, municipal, and other obligations not included in FTI** (*only CT-3 filers that are not alien corporations; alien corporations see A-508*) – Include all

interest received or accrued from federal, state, municipal, and other obligations that was exempt from federal income tax and is, therefore, not included in FTI. (§208.9(b)(2)) Also see S-510.

**A-505 Certain taxes deducted on your federal return (CT-3 filers only)** – Include all amounts deducted on your federal return for New York State taxes imposed under Article 9 (§§183, 183-a, 184, and 184-A), 9-A, 23, and former Article 32. This includes the MTA surcharge. However, do **not** include New York City taxes. Include the amount deducted for taxes paid or accrued to the United States, or any of its possessions, territories or commonwealths, other U.S. states or their political subdivisions, and the District of Columbia, if the tax or taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing. (§§208.9(b)(3), 208.9(b)(3-a), 208.9(b)(4), and 208.9(b)(20))

**A-506 Federal treaty obligations (only CT-3 filers that are alien corporations)** – If under any provision of the IRC, you are not treated as a *domestic corporation* as defined in IRC section 7701, enter any income exempt from FTI under any treaty obligation of the United States, but only if such income would be treated as effectively connected in absence of such exemption, provided that such treaty obligation does not preclude the taxation of such income by a state. Attach a statement to your return providing each amount, and a brief description of what the amount represents, that is included in the total addback amount being reported. (§208.9(b)(1)(ii)) Also see S-509.

**A-507 Federal depreciation from Form CT-399, if applicable (CT-3 filers only)** – You must use this modification if:

- The corporation claims the federal ACRS/MACRS deduction for property placed in service either **in 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 deduction for the property; or
- The corporation claims a federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in §208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; or
- The corporation disposes this year of either ACRS/MACRS property, or property for which you claimed a federal special depreciation deduction under IRC section 168(k), and the New York depreciation modifications applied to the property in any prior years.

Include the amount of federal deduction that must be added back to FTI from Form CT-399, line 3, column E; or if you have disposed of property this year, use the amount from Form CT-399, line 10, column A. (§§208.9(b)(10), 208.9(b)(11), 208.9(b)(17), and 208.9(p))

**A-508 Dividend or interest income received, or accrued, by alien corporations (only CT-3 filers that are alien corporations)** – If under any provision of the IRC you are **not** treated as a *domestic corporation* as defined in IRC section 7701, enter any part of any income received, or accrued, from dividends or interest on any kind of stock, securities, or indebtedness, but only if such income is treated as effectively connected with the conduct of a trade or business in the United States under IRC section 864 (§§208.9(b)(1)(i) and 208.9(b)(1)(iii)) Also see S-511.

**A-510 IRC section 965(c) deduction amount (only CT-3 filers that filed an 1120-REIT, 1120-RIC, or an 1120-POL)** – You must include the amount of deduction allowed under IRC section 965(c) to the extent such amount was deducted in computing your FTI reported on Form CT-3, Part 3, line 1. **Note:** REITs that made the IRC section 965(m)(1)(B) election should report 8% of the IRC section 965(c) deduction amount here. (§208.9(b)(23)).

**A-511 Amount of increase in interest deduction allowed pursuant to IRC section 163(j)(10)(A)(i) (CT-3 filers only)** – Enter the increase in interest deduction included in the computation of your FTI attributable to the use of 50% of adjusted taxable income (ATI) rather than 30%. However, do not include amounts attributable to a partnership in which the corporation is a partner. (§208.9(b)(26))

**A-601 IRC section 847(1) (CT-33 filers only)** – Include the amount deducted from federal gross income on federal Form 1120-PC as a result of IRC section 847(1). (§1503(b)(2)(S))

**A-602 Unearned premiums (CT-33 filers only)** – Include 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). (§§1503(b)(2)(O), 1503(b)(2)(P), and 1503(b)(2)(Q))

**A-603 Discounted unpaid losses (CT-33 filers only)** – Include 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, *U.S. Property and Casualty Insurance Company Income Tax Return*, and a copy of Schedule P, *Analysis of Losses and Loss Expenses, Part 1, Summary*, from the prior year's *Annual Statement*. (§1503(b)(2)(R))

**A-605 Deductions attributable to IRC section 965(a) inclusion amount (CT-33 filers only)** – You must include interest deductions directly or indirectly, and any other amount directly, attributable to IRC section 965(a) inclusion amounts to the extent not included on Form CT-33, line 67. (§1503(b)(2)(H)) Also see S-605.

**A-606 Deductions attributable to IRC section 951A(a) (CT-33 filers only)** – You must include interest deductions directly or indirectly, and any other amount directly, attributable to the income described in §§ 1503(b)(1)(U) and 1503(b)(1)(V), to the extent not included on Form CT-33, line 67. (§ 1503(b)(2)(H)) Also see S-606 and S-607.

**A-901 Beneficiary's share of fiduciary adjustment (CT-3-S filers only)** – If the S corporation has income from an estate or trust, any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment. If the adjustment is a net addition, you must include this amount in Schedule A, Part 2. (§612(d)) Also see S-901.

## New York State subtractions

**S-102 Build America Bond (BAB) interest (CT-3-S filers only)** – Include any interest income attributable to a BAB issued by New York State or its local governments that was included in federal income. For more information, see TSB-M-10(4)I, *Treatment of Interest Income from Build America Bonds*.

**S-110 Contributions for Executive Mansion, natural and historical resources** (not deducted elsewhere) (*CT-3-S filers only*) – Include contributions you made, not deducted elsewhere, (a) to preserve, improve, and promote the Executive Mansion as a New York State historical resource, or (b) to the Natural Heritage Trust to preserve and improve the natural and historical resources of New York State. **Do not** include amounts you deducted in determining federal income.

**S-111 Distributions made to 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 applicable federal income. **Do not** include amounts received from assets acquired with such assets or with the proceeds from the sale. (§13)

**S-112 Items of income related to assets stolen from or otherwise lost to a victim of Nazi persecution** (*CT-3-S filers only*) – Include items of income included in federal income attributable to, derived from, or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of Nazi persecution immediately prior to, during, and immediately after World War II, including but not limited to interest on the proceeds receivable as insurance under policies issued to a victim of Nazi persecution by European insurance companies immediately prior to and during World War II, or as a spouse or heir of such victim.

However, do not include income attributable to assets acquired with assets as described above or with the proceeds from the sale of any asset described above. Also, do not include any income if you were not the first recipient of the asset, or if you are not considered a victim of Nazi persecution, or a spouse or descendent of a victim. (§612(c)(36))

**S-114 Gain to be subtracted from the sale of a new business investment included in federal income** (*CT-3-S filers only*) – Include the amount of gain from the sale of a New York State new business to the extent that it was included in federal income. (§612(c)(20))

**S-115 Qualified emerging technology investments (QETI)** – You may defer the gain on the sale of QETI that are: 1) held for more than 36 months, and 2) rolled over into the purchase of a QETI within 365 days. A replacement QETI must be purchased 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 your applicable federal income the amount of the gain deferral (to the extent the gain is included in federal income). If purchase of the replacement QETI within the 365-day period occurs in the same tax year as the sale of the original QETI, or in the following tax 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 tax 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. (§§612(c)(34), 208.9(a)(14), and 1503(b)(1)(Q))

For more information, see TSB-M-98(7)C, 1998 *Summary of Corporation Tax Legislative Changes*, pages 5 and 6.

**S-116 Sales or disposition of assets acquired before 1960 with greater state than federal basis** (*CT-3-S filers only*) – When federal taxable gains are realized from the sale of certain assets that have a greater adjusted basis for New York State tax

purposes, subtraction adjustments must be made to reduce the gain for New York State tax purposes.

If you are reporting a gain for federal tax purposes that was from either:

- property that had a greater adjusted basis for New York State income tax purposes than for federal income tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960); or
- property that was held in connection with mines, oil or gas wells, and other natural deposits and that had a greater adjusted basis for New York State income tax purposes than for federal tax purposes when sold;

include on this line the lesser of:

- the gain itself; or
- the difference in the adjusted basis.

(§612(c)(4))

**S-117 Income earned before 1960 and previously reported to New York State** (*CT-3-S filers only*) (§612(c)(5))

**S-121 Certain investment income from U.S. government agencies** (*CT-3-S filers only*) – Include any interest or dividend income on bonds or securities of any U.S. authority, commission, or instrumentality that is exempt from state income taxes under federal laws, but is included in federal income. (§612(c)(2))

**S-123 Certain investment income exempted by other New York State laws** (*CT-3-S filers only*) – Include any interest or dividend income from any obligations or securities authorized to be issued and exempt from state taxation under the laws of New York State. (For example, income received from bonds, mortgages, and income debenture certificates of limited dividend housing corporations organized under the Private Housing Finance Law.) (§612(c)(6))

**S-125 Interest income on U.S. government bonds** (*CT-3-S filers only*) – Include interest income on bonds or other obligations of the U.S. government included in S corporation income. Dividends received from a regulated investment company (mutual fund) that invests in obligations of the U.S. government and meet the 50% asset requirement each quarter qualify for this subtraction. The portion of dividends that may be subtracted is based upon the portion of taxable income received by the mutual fund that is derived from federal obligations. (§612(c)(1))

**S-201 Small business modification** (*CT-3-S filers only*) – If the New York S corporation is a farm business that employs one or more persons during the tax year, and has net farm income of greater than zero but less than \$250,000, then you may deduct an amount equal to 5% of the net items of income, gain, loss and deduction attributable to the farm business included in your recomputed federal AGI (but not less than zero). A New York S corporation that is a farm business must compute the subtraction modification based on the net business income at the entity level. (§612(c)(39))

For more information, see TSB-M-14(3)C,(5)I, *Small Business Subtraction Modification*.

**S-202 Interest expense on loans used to buy federal tax exempt obligations subject to New York State tax** (*CT-3-S filers only*) – Include interest expense on money borrowed to buy or carry bonds or securities, the income of which is subject to New York State tax but exempt from federal income tax, provided this interest was a business expense for the tax year and the expense was not deducted from income on the federal return. (§612(c)(9))

**S-203 Expenses (other than interest expense) connected with federal tax exempt income subject to New York State tax** (*CT-3-S filers only*) – Include ordinary and necessary business expenses paid or incurred during the tax year in connection with income, or property used to produce income, that is subject to New York State income tax but exempt from federal income tax, provided that the expenses were not deducted from income on the federal return. (§612(c)(10))

**S-204 Amortizable bond premiums** (*CT-3-S filers only*) – Include amortization of bond premiums attributable to the tax year on any bond whose interest income is subject to New York State income tax but exempt from federal income tax, provided this amortization was a business expense for the tax year and the expense was not deducted from income on the federal return. (§612(c)(10))

**S-205 Wage and salary expenses allowed as federal credits but not as federal expenses** – Include the amount of wages disallowed under IRC section 280C in the computation of your applicable federal income because you claimed a federal credit. Attach a copy of the appropriate federal credit form. (§§612(c)(15), 208.9(a)(7), and 1503(b)(1)(D))

**S-206 Cost depletion** (*CT-3-S filers only*) – If you are making addition A-202 for any percentage depletion deducted for federal purposes, then enter the cost depletion that IRC section 611 would allow on that property without any reference to either IRC section 613 or 613-A. (§612(c)(13))

**S-207 Special depreciation expenditures or carryover of research and development expenditures** (*CT-3-S filers that are corporate partners only*) (§612(c)(11))

**S-208 Safe harbor leases** (*CT-3 and CT-3-S filers only*) – Include all amounts included in your applicable federal income solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983. Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from this adjustment. (§§612(c)(24) and 208.9(a)(9)) Also see S-209, A-203, and A-204.

**S-209 Safe harbor leases** (*CT-3 and CT-3-S filers only*) – Include all amounts you could have excluded from your applicable federal income if you had not made the election provided for in IRC section 168(f)(8) as it was in effect on December 31, 1983. Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from this adjustment. (§§612(c)(25) and 208.9(a)(10)) Also see S-208, A-203, and A-204.

**S-210 ACRS depreciation** (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, and you must attach it to Form CT-34-SH. (§612(c)(26))

**S-211 ACRS year of disposition adjustment** (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, Part 2 to determine the amount, if any, to be included in this subtraction, and you must attach it to Form CT-34-SH. (§612(c)(28))

**S-212 Federal IRC section 179 deduction recapture for a sport utility vehicle (SUV)** (*CT-3 and CT-3-S filers only*) – If you previously claimed an IRC section 179 deduction with respect to an SUV, you must include the amount of that deduction that was recaptured in computing federal income. (§§612(c)(37) and 208.9(a)(16))

**S-213 IRC section 168(k) property depreciation** (*CT-3-S filers that are corporate partners only*) (§612(c)(16))

**S-214 IRC section 168(k) property (year of disposition adjustment)** (*CT-3-S filers that are corporate partners only*) (§612(l))

**S-215 Refund of certain business tax credits** (*CT-3 and CT-33 filers only*) – Include the amount of refund of certain New York State business tax credits that is required to be included in your applicable federal income. For information regarding those credits that are eligible for the subtraction, see TSB-M-10(9)C, (15)I, *New York State Tax Treatment of Refunds of the Qualified Empire Zone Enterprise (QEZE) Credit for Real Property Taxes*.

**S-216 New York State innovation hot spot deduction** (*CT-3 and CT-3-S filers only*) – Include any income or gain attributable to the innovation hot spot (as reported on Form CT-223, *Innovation Hot Spot Deduction*, column G). A taxpayer who claims this benefit is no longer eligible for any other New York State exemption, deduction, credit, or refund under the Tax Law to the extent that such exemption, deduction, credit, or refund is attributable to the business operations of a tenant in, or as part of, the New York State innovation hot spot. Claiming this subtraction represents an irrevocable election. (§§612(c)(39) and 208.9(a)(18))

**S-217 Taxable refunds or credits** (*CT-3-S filers only*) – If you included in your federal income any refunds, credits, or offsets for overpayment of any income tax (including the New York City unincorporated business tax and any taxes imposed under Tax Law Article 23 (MCTMT)), include that amount here. (§612(c)(7))

**S-303 Franchise tax refunds** (*CT-3-S filers only*) – Include the amount of any refund or credit of the tax imposed under Tax Law Article 9-A for a New York S corporation tax year ending after 1990, or under former Tax Law Article 32 for a New York S corporation tax year ending after 1996, to the extent the tax was included in federal income in a prior tax year under §612(b)(3).

**S-501 Taxable refunds or credits of certain taxes** (*CT-3 and CT-33 filers only*) – Include any refund or credit of a tax that was previously added back on:

- Form CT-3, line 6 (for years prior to 2015) or Form CT-225 (see A-505), **other than** taxes paid or accrued to the United States, or any of its possessions, territories or commonwealths, other U.S. states or their political subdivisions, and the District of Columbia; or
- Form CT-33, line 68 or 71

that is now being properly included as income for federal income tax purposes, and for which no exclusion or deduction was allowed in determining the taxpayer's ENI for any prior year. Do **not** include on this line any refund or credit of tax that was used to offset an addition of tax on Form CT-3, CT-225, or CT-33, line 68 or 71. Do **not** include any refund or credit of New York City taxes. (§§ 208.9(a)(5) and 1503(b)(1)(C))

**S-503 Deductions pursuant to §§208.9(c-2) and 208.9(c-3)** (*CT-3 filers only*) – Qualified public utility corporations, qualified power producers, and qualified pipeline corporations: see the instructions for Form CT-224.

**S-504 Receipts from the operation of school buses** (*CT-3 filers only*) – Include all receipts from the transportation of pupils, teachers, and others acting in a supervisory capacity to and from school or school activities, minus any deductions allowed in computing FTI that are directly or indirectly attributable to those receipts. (§208.9(a)(4))

**S-505 REIT deduction** (*CT-3 filers only*) – Enter the total dividends paid deduction from federal Form 1120-REIT, line 21b and the IRC section 857(b)(2)(E) deduction from Form 1120-REIT, line 21c. (§209.5)

**S-506 RIC deduction (CT-3 filers only)** – Enter the total dividends paid deduction from federal Form 1120-RIC, line 25(a) and the IRC sections 851(d)(2) and 851(i) deduction from Form 1120-RIC, line 25(b). (§209.7)

**S-507 Allowable New York State depreciation from Form CT-399, if applicable (CT-3 filers only)** – You must use this modification if:

- The corporation claims the federal ACRS/MACRS deduction for property placed in service either **in 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 deduction for the property; or
- The corporation claims a federal special depreciation deduction under IRC section 168(k) for qualified property (excluding qualified resurgence zone property described in §208.9(q) or qualified New York liberty zone property described in IRC section 1400L(b)(2)) placed in service on or after June 1, 2003, in tax years beginning after December 31, 2002; or
- The corporation disposes this year of either ACRS/MACRS property, or property for which you claimed a federal special depreciation deduction under IRC section 168(k), and the New York depreciation modifications applied to the property in any prior years.

Include the amount from Form CT-399, line 3, column I, or, if you have disposed of property this year, use the amount from Form CT-399, line 10, column B. (§§208.9(a)(11), 208.9(a)(12), 208.9(a)(17), and 208.9(p))

**S-508 Amounts treated as IRC section 78 dividends (CT-3 filers only)** – You may deduct any amount treated as dividends under IRC section 78 to the extent that such deduction is not already reflected in your FTI reported on Form CT-3, Part 3, line 1. (§208.9(a)(6))

**S-509 Expenses related to federal treaty obligations (only CT-3 filers that are alien corporations)** – If under any provision of the IRC, you are not treated as a *domestic corporation* as defined in IRC section 7701, enter any expenses attributable to income that is not included in FTI due to a federal tax treaty. Also see A-506.

**S-510 Expenses related to interest on federal, state, municipal, and other obligations not included in FTI (only CT-3 filers that are not alien corporations; alien corporations see S-511)** – You may deduct any expense that was denied deductibility under IRC section 265 and is attributable to the exempt interest received, or accrued, on federal, state, municipal, and other obligations. Also see A-504.

**S-511 Expenses related to dividend or interest income received, or accrued, by alien corporations (only CT-3 filers that are alien corporations)** – If under any provision of the IRC you are **not** treated as a *domestic corporation* as defined in IRC section 7701, you may deduct any expenses attributable to income received, or accrued, from dividends or interest on any kind of stock, securities, or indebtedness, but only if such income is treated as effectively connected with the conduct of a trade or business in the United States under IRC section 864. Also see A-508.

**S-513 Amount excluded from the term contribution to capital by IRC section 118(b)(2) (CT-3 and CT-33 filers only)** – Enter the amount of contributions to your capital that was included in your FTI as a result of IRC section 118(b)(2). [§§ 208.9(a)(20) and 1503(b)(1)(T)]

**S-601 Unearned premiums (CT-33 filers only)** – Include 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). (§§1503(b)(1)(J), 1503(b)(1)(K), and 1503(b)(1)(L))

**S-602 Discounted unpaid losses (CT-33 filers only)** – Include 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*. (§1503(b)(1)(N))

**S-603 IRC section 847(5) and 847(6) (CT-33 filers only)** – Include the amount included in federal gross income as a result of IRC sections 847(5) and 847(6). (§1503(b)(1)(P))

**S-604 IRC section 832(b)(5)(B) (CT-33 filers only)** – Include the amount by which losses incurred were reduced as a result of IRC section 832(b)(5)(B). (§1503(b)(1)(O))

**S-605 IRC section 965(a) inclusion amount (CT-33 filers only)** – You must include your IRC section 965(a) inclusion amount. (§1503(b)(1)(S)) Also see A-605.

**S-606 Amounts treated as IRC section 78 dividends (CT-33 filers only)** – You may deduct any amount treated as a dividend under IRC section 78 that is attributable to the global intangible low-taxed income included in federal gross income pursuant to IRC section 951A(a), to the extent such an amount is **not** included on Form CT-33, line 73. (§ 1503(b)(1)(V)) Also see A-606.

**S-607 Global intangible low-taxed income (GILTI) exclusion (CT-33 filers only)** – You may deduct 95% of the income required to be included in your federal gross income pursuant to IRC section 951A(a), without regard to the IRC section 250 deduction, to the extent such an amount is not included on Form CT-33, line 73. (§ 1503(b)(1)(U)) Also see A-606.

**S-901 Beneficiary's share of fiduciary adjustment (CT-3-S filers only)** – If the S corporation has income from an estate or trust, any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment. If the adjustment is a net subtraction, you must include this amount in Schedule B, Part 2. (§612(d)) Also see A-901.

## New York State addition and subtraction modification charts

The charts below are a quick reference guide listing each modification and showing (with an **X** in the column) if the modification applies to your form. This guide should only be used in conjunction with the instructions for each modification provided on pages 2 through 7.

<b>Addition modifications</b>				
<b>Modification number</b>	<b>Description</b>	<b>CT-3</b>	<b>CT-33</b>	<b>CT-34-SH</b>
A-102	Income from certain obligations of U.S. government agencies or instrumentalities			X
A-105	Special additional mortgage recording tax deduction	X	X	
A-106	Special additional mortgage recording tax basis adjustment	X	X	
A-109	New business investment; deferral recognition			X
A-110	Qualified emerging technology investments (QETI)	X	X	X
A-111	Interest expense on loans used to buy obligations exempt from New York State tax, amortized bond premium on bonds that are exempt from New York State tax and other expenses relating to the production of income exempt from New York State tax			X
A-113	Interest income on state and local bonds and obligations			X
A-114	Form 4970 accumulation distribution of trusts			X
A-116	Resident beneficiary accumulation distribution			X
A-117	Incomplete gift non-grantor trust			X
A-201	Personal income taxes and unincorporated business taxes deducted in determining recomputed federal AGI			X
A-202	Percentage depletion			X
A-203	Safe harbor leases	X		X
A-204	Safe harbor leases	X		X
A-205	Accelerated cost recovery system (ACRS) deduction			X
A-206	ACRS property; year of disposition adjustment			X
A-207	Farmers' school tax credit	X		
A-208	Sport utility vehicle expense deduction	X		X
A-209	IRC section 168(k) property depreciation			X
A-210	Special depreciation			X
A-211	Royalty and interest payments made to a related member or members	X	X	X
A-212	Environmental remediation insurance premiums	X	X	X
A-214	Article 23 metropolitan commuter transportation mobility tax (MCTMT)		X	X
A-216	Manufacturer's real property tax	X		X
A-217	START-UP NY excise tax on telecommunication services	X		X
A-218	Farm donations to food pantries	X		
A-301	Reduction for S corporation taxes			X
A-502	Qualified public utility corporations, qualified power producers, and pipeline corps	X		
A-504	Interest on federal, state, municipal, and other obligations not included in FTI	X		
A-505	New York State and other state and local taxes deducted on your federal return	X		
A-506	Federal treaty obligations	X		
A-507	Federal depreciation from Form CT-399, if applicable	X		
A-508	Dividend or interest income received, or accrued, by alien corporations	X		
A-510	IRC section 965(c) deduction amount	X		
A-511	Amount of increase in interest deduction allowed according to IRC section 163(j)(10)(A)(i)	X		



<b>Addition modifications</b> <i>(continued)</i>				
<b>Modification number</b>	<b>Description</b>	<b>CT-3</b>	<b>CT-33</b>	<b>CT-34-SH</b>
A-601	IRC section 847(1)		X	
A-602	Unearned premiums		X	
A-603	Discounted unpaid losses		X	
A-605	Deductions attributable to IRC section 965(a) inclusion amount		X	
A-606	Deductions attributable to IRC section 951A(a)		X	
A-901	Beneficiary's share of fiduciary adjustment			X

<b>Subtraction modifications</b>				
<b>Modification number</b>	<b>Description</b>	<b>CT-3</b>	<b>CT-33</b>	<b>CT-34-SH</b>
S-102	Build America Bond (BAB) interest			X
S-110	Contributions for Executive Mansion, natural and historical resources (not deducted elsewhere)			X
S-111	Distributions made to a victim or target of Nazi persecution	X	X	X
S-112	Items of income related to assets stolen from or otherwise lost to a victim of Nazi persecution			X
S-114	Gain to be subtracted from the sale of a new business investment reported on your federal income tax return			X
S-115	Qualified emerging technology investments (QETI)	X	X	X
S-116	Sales or dispositions of assets acquired before 1960 with greater state than federal basis			X
S-117	Income earned before 1960 and previously reported to New York State			X
S-121	Certain investment income from U.S. government agencies			X
S-123	Certain investment income exempted by other New York State laws			X
S-125	Interest income on U.S. government bonds			X
S-201	Small business modification			X
S-202	Interest expense on loans used to buy federal tax exempt obligations subject to New York State tax			X
S-203	Expenses (other than interest expense) connected with federal tax exempt income subject to New York State tax			X
S-204	Amortizable bond premiums			X
S-205	Wage and salary expense allowed as federal credits but not as federal expenses	X	X	X
S-206	Cost depletion			X
S-207	Special depreciation expenditures or carryover of research and development activities			X
S-208	Safe harbor leases	X		X
S-209	Safe harbor leases	X		X
S-210	ACRS depreciation			X
S-211	ACRS year of disposition adjustment			X
S-212	Sport utility vehicle (SUV) expense deduction recapture	X		X
S-213	IRC section 168(k) property depreciation			X
S-214	Amount of IRC section 168(k) property deduction that is greater than the depreciation claimed for NYS (year of disposition adjustment)			X

<b>Subtraction modifications</b> <i>(continued)</i>				
<b>Modification number</b>	<b>Description</b>	<b>CT-3</b>	<b>CT-33</b>	<b>CT-34-SH</b>
S-215	Refund of certain business tax credits	X	X	
S-216	New York State innovation hot spot program	X		X
S-217	Taxable refunds or credits			X
S-303	Franchise tax refunds			X
S-501	Taxable refunds or credits of state tax	X	X	
S-503	Qualified public utility corporations, qualified power producers, and pipeline corps	X		
S-504	Receipts from the operation of school buses	X		
S-505	REIT deduction	X		
S-506	RIC deduction	X		
S-507	Allowable New York State depreciation	X		
S-508	Amounts treated as IRC section 78 dividends	X		
S-509	Expenses related to federal treaty obligations	X		
S-510	Expenses related to interest on federal, state, municipal, and other obligations not included in FTI	X		
S-511	Expenses related to dividend or interest income received, or accrued, by alien corporations	X		
S-513	Amount excluded from the term <i>contribution to capital</i> by IRC section 118(b)(2)	X	X	
S-601	Unearned premiums		X	
S-602	Discounted unpaid losses		X	
S-603	IRC sections 847(5) and 847(6)		X	
S-604	IRC section 832(b)(5)(B)		X	
S-605	IRC section 965(a) inclusion amount		X	
S-606	Amounts treated as IRC section 78 dividends		X	
S-607	Global intangible low-taxed income (GILTI) exclusion		X	
S-901	Beneficiary's share of fiduciary adjustment			X

## Need help? and Privacy notification

See Form CT-1, *Supplement to Corporation Tax Instructions*.

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