Department of Taxation and Finance

Instructions for Form CT-224
Public Utility, Power Producer, and Pipeline Adjustments

CT-224-I

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

General information

If you are a qualified public utility and transferee, power producer, or pipeline corporation previously taxable under Article 9, you are **required** to fill out this form. This form allows you to make necessary adjustments to entire net income (ENI) required by Article 9-A §§ 208.9(c-2) and 208.9(c-3).

Combined groups

If you are a corporation in a combined group that is required to make the adjustments to ENI required by Tax Law, you **must** complete a separate Form CT-224.

Note: Any references to ENI include **combined** ENI.

Qualified public utility corporations

Complete Schedule A to adjust ENI to reflect modifications according to § 208.9(c-2) for:

- depreciation,
- federal gain or loss on transition property, and
- regulatory assets.

Transferees (whether or not qualified public utilities) of transition property from a qualified public utility in a tax-free transaction

Complete only lines 8, 9, and 11 to adjust ENI to reflect modifications to federal gain or loss subsequently recognized on the transition property, according to § 208.9(c-2)(6)(B)(iv).

Qualified power producers and qualified pipeline corporations

Complete Schedule B to adjust ENI to reflect modifications for depreciation on transition property according to § 208.9(c-3).

Definitions

A *qualified public utility* is a taxpayer that:

- was subject to ratemaking supervision by the New York State Department of Public Service on December 31, 1999; **and**
- was subject to tax under Article 9 § 186 for the tax year ending on December 31, 1999.

A *qualified power producer* is a taxpayer that:

- was not subject to ratemaking supervision by the New York State Department of Public Service on December 31, 1999; **and**
- was subject to tax under Article 9 § 186 for the tax year ending on December 31, 1999, because it was principally engaged in the business of supplying electricity.

A *qualified pipeline* is a taxpayer that:

- was subject to ratemaking supervision by the Federal Energy Regulatory Commission or the New York State Department of Public Service on December 31, 1999; **and**
- was subject to tax under Article 9 §§ 183 and 184 for the tax year ending on December 31, 1999, because it was principally engaged in the business of pipeline transmission.

Note: If you are a public utility, power producer, or pipeline corporation and you do **not** meet the above definitions, you are **not** required to make the adjustments in §§ 208.9(c-2) and (c-3).

Transition property is property placed in service by a qualified public utility, qualified power producer, or qualified pipeline before January 1, 2000, for which a depreciation deduction is allowed under the Internal Revenue Code (IRC) § 167. Property is transition property only for the taxpayer that owns it on January 1, 2000, and is not transition property in the hands of a subsequent transferee. (However, see the instructions for Schedule A, lines 8 and 9 for a basis adjustment that may apply to former transition property or replacement property of a subsequent transferee.)

Book basis of transition property is the cost of the property minus the accumulated depreciation on the property determined on the taxpayer's books and records in accordance with generally accepted accounting practices (GAAP).

New York basis of transition property is the cost of the property minus the aggregate of the New York depreciation deductions allowed on the property under Article 9-A. This aggregate is the sum of all amounts reported in previous years as New York depreciation deductions for transition property.

Line instructions

Schedule A: Adjustments for qualified public utilities and transferees

If you are a qualified public utility, complete this schedule. Use lines 1 through 11 to calculate the adjustments for ENI.

Transferees: If you are **not** a qualified public utility but you are a transferee of transition property from a qualified public utility, use **only** lines 8, 9, and 11 to calculate the adjustments for ENI.

Other additions

Line 1

Enter the amount you deducted on your federal return for depreciation of transition property. See line 5 instructions to calculate the New York depreciation deduction.

Line 2

If you sold or otherwise disposed of transition property at a loss for federal income tax purposes, you **must** recalculate the amount of the loss for New York using book basis in place of federal tax basis for the property. Enter on this line the amount of loss you deducted on your federal return and see line 6 instructions to recalculate the loss for New York.

Line 3

If you sold or otherwise disposed of transition property of a nuclear electric generating facility at a gain for federal income tax purposes, you **must** recalculate the amount of the gain for New York using New York basis in place of federal tax basis for the property.

However, this recalculation can only reduce the federal gain to zero; it cannot produce a New York loss. Enter on this line the New York gain on transition property you calculated using New York basis. If recalculation of the federal gain using New York basis yields a loss, the New York gain is zero. See line 7 instructions to subtract the federal gain.

Line 4

Form CT-3 filers: Include this amount on Form CT-225, *New York State Modifications*, Schedule A.

Form CT-3-A filers: If you are the designated agent of a combined group, you must include this amount on Form CT-225-A, *New York State Modifications (for filers of combined franchise tax returns)*, Schedule A. All other members of a combined group include this amount on Form CT-225-A/B, *Group Member's Detail Spreadsheet - Attachment to Form CT-225-A, New York State Modification (for filers of combined franchise tax returns)*, Schedule A.

Other subtractions

Line 5

In place of the federal depreciation deduction you entered on line 1, enter the amount of depreciation expense on transition property you showed on your books and records for the tax year and determined in accordance with GAAP.

In the case of a financing arrangement where for federal purposes the qualified public utility is treated as the owner of the transition property and allowed a depreciation deduction for federal income tax purposes but not allowed a depreciation deduction for GAAP purposes, you should calculate the New York depreciation deduction in accordance with GAAP as if the transition property were depreciated on your books and records.

Line 6

In place of the federal loss entered on line 2, calculate the New York loss on the sale or other disposition of transition property using book basis instead of federal tax basis.

Line 7

Enter the amount of gain included on your federal return from the sale or other disposition of transition property. See line 3 instructions to recalculate the gain for New York.

Lines 8 and 9

Transition property basis adjustment carryover

If you dispose of transition property in a nonrecognition transaction (original disposition), such as a tax-free reorganization or a trade-in for replacement property, a basis adjustment on the transition property carries over to the transferee of the property, or to the replacement property.

This reduces the gain or increase the loss in a subsequent recognition transaction involving the property that was former transition property or the replacement property.

Line 8

If you sold the former transition or replacement property of a nuclear electric generating facility at a gain for federal income tax purposes, the gain is reduced, but not below zero, by the New York basis differential. The *New York basis differential* is the amount by which the New York basis of the property exceeds its federal tax basis on the date of **original disposition**.

Enter on this line the New York basis differential of property that was former transition property or the replacement property you sold at a federal gain this year, but do not enter more than the amount of differential necessary to bring the federal gain to zero.

Line 9

If you sold the former transition or the replacement property at a loss for federal income tax purposes, the loss is increased by the amount of the book basis differential. The *book basis differential* is the amount by which the book basis of the property exceeds its federal income tax basis on the date of **original disposition**.

Enter on this line the book basis differential of the former transition property or the replacement property sold at a federal loss this year.

Line 10

Enter the amounts recognized as expenses on your books and records for the tax year that were recognized as expenses for federal income tax purposes in a tax year ending on or before December 31, 1999, if:

a) such amounts represent expenditures that, when made, were charged to a deferred debit account or similar asset account on your books and records;

b) the recognition of expense on your books and records is matched by revenue stemming from a procedure or adjustment allowing the recovery of such expenditures; and

c) such revenue is recognized for federal income tax purposes in the tax year.

Line 11

Form CT-3 filers: Include this amount on Form CT-225, Schedule B.

Form CT-3-A filers: The designated agent of a combined group includes this amount on Form CT-225-A, Schedule B. All other members of a combined group include this amount on their Form CT-225-A/B, Schedule B.

Schedule B: Adjustments for qualified power producers and qualified pipeline corporations

If you are a qualified power producer or a qualified pipeline corporation and you claim a depreciation deduction on transition property for federal income tax purposes complete this part. Use lines 12 and 13 to calculate the adjustments to ENI.

Other additions

Line 12

Enter the amount you deducted on your federal return for depreciation of transition property.

Form CT-3 filers: Include this amount on Form CT-225, Schedule A.

Form CT-3-A filers: If you are the designated agent of a combined group, include this amount on Form CT-225-A, Schedule A. All other members of a combined group include this amount on their Form CT-225-A/B, Schedule A.

Other subtractions

Line 13

In place of the federal depreciation deduction you entered on line 12, calculate a New York depreciation deduction by treating all of your transition property as a single asset placed in service on the first day of the federal tax year that ends in 2000.

The *New York State basis for depreciation* is the net book value of your transition property on the first day of the federal tax year that ends in 2000 (or on the later date in 1999 that the property is placed in service). To calculate the New York deduction, use net book value, the straight-line depreciation method, a 20-year life, and a salvage value of zero.

Net book value

For **qualified power producers**, *net book value* is the cost of your transition property minus the accumulated depreciation you showed on your books and records and determined in accordance with GAAP.

For **qualified pipeline corporations**, *net book value* is the cost of your transition property minus the accumulated depreciation you showed on your books and records and determined in accordance with the regulatory reports filed with the Federal Energy Regulatory Commission or the New York State Department of Public Service.

Form CT-3 filers: Include this amount on Form CT-225, Schedule B.

Form CT-3-A filers: The designated agent of a combined group includes this amount on Form CT-225-A, Schedule B. All other members of a combined group include this amount on their Form CT-225-A/B, Schedule B.

Need help? and Privacy notification

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