Department of Taxation and Finance

Instructions for Form CT-399

Depreciation Adjustment Schedule

CT-399-I

General information

Corporations taxable under Articles 9-A and 33 are subject to depreciation modifications required under their respective articles when determining New York State taxable income. In addition, a New York S corporation must complete this form so its shareholders have the information necessary to make the required modifications when computing New York State taxable income.

The modifications apply to the federal accelerated cost recovery system/modified accelerated cost recovery system (ACRS/MACRS) deduction for property placed in service either **in or outside** New York State after 1980 in tax years beginning before 1985.

The modifications may also apply to ACRS/MACRS property placed in service **outside** New York State in tax years beginning in 1985 through 1993 if you made the election in 1999 to continue this modification.

The modifications also apply to qualified property placed in service on or after June 1, 2003, for tax years beginning after 2002, for which a special depreciation deduction was allowed under Internal Revenue Code (IRC) section 168(k) when computing federal income.

The modifications **do not** apply to the following:

- Covered properties owned by an institutional real estate investor as described in section 208.9(c-4)(2) on which depreciation was added back to federal income on Form CT-225, *New York State Modifications;* or Form CT-225-A, *New York State Modifications (for filers of combined franchise tax returns),* using modification number A-223.
- Qualified gulf opportunity zone property as described in IRC section 1400N(d)(2)
- Qualified resurgence zone property described in Tax Law, Article 9-A, section 208.9(q)
- Qualified New York liberty zone property described in IRC section 1400L(b)(2)
- Property acquired after June 18, 1984, that is subject to the limitations under IRC section 280-F (listed property)
- Property placed in service before January 1, 1989, if the property was placed in service by an aviation corporation
- ACRS/MACRS property placed in service **in** New York State in tax years beginning on or after January 1, 1985
- ACRS/MACRS property placed in service **outside** New York State in tax years beginning on or after January 1, 1994
- Transition property placed in service by a qualified public utility, a qualified power producer, or a qualified pipeline. For a definition of transition property, qualified public utility, qualified power producer, and qualified pipeline, see TSB-M-00(4)C, *Utility and TTD corporations now subject to tax under Article 9-A or 32 of the Tax Law,* page 6.

As applicable, the depreciation modifications disallow the IRC section 168 ACRS/MACRS depreciation deduction and allow a New York State depreciation deduction using any method permitted under IRC section 167. You may continue claiming the New York State depreciation deduction until the property is fully depreciated for New York State purposes.

The depreciation modifications also disallow any federal special depreciation deduction for qualified property described in IRC section 168(k)(2) (excluding depreciation on qualified resurgence zone property and qualified New York liberty zone property) and allow a New York State depreciation deduction under IRC section 167, as this section would have applied to the property if it had been acquired on September 10, 2001.

For further information regarding the depreciation modifications, see TSB-M-82(16)C, *1982 Legislation Uncoupling the Effects of the Federal Accelerated Cost Recovery System (ACRS) from the Computation of New York State Taxable Income;* TSB-M-85(12)C, *1985 Legislation Law Changes Pertaining to ACRS Property and New York State Depreciation Modifications;* TSB-M-89(10)C, *Taxability of Aviation Corporations under Article 9-A;* TSB-M-94(2)C, *Important Notice Summary of 1994 Corporation Tax Law Changes;* TSB-M-99(1)C, *New York Depreciation Deduction for Property Placed in Service Outside New York State in Tax Years 1985-1993;* and TSB-M-03(5)C, *Summary of Corporation Tax Legislative Changes Enacted in 2003*.

Who must use this form

Use this form to compute the New York State depreciation modifications if the corporation:

- claimed a federal ACRS/MACRS deduction for property placed in service either **in or outside** New York State after 1980 in tax years beginning before 1985; or
- claimed a federal ACRS/MACRS deduction for property placed in service **outside** New York State in tax years beginning in 1985 through 1993, and the corporation chose to continue using the IRC section 167 depreciation deduction for such property; or
- claimed a federal special depreciation deduction under IRC section 168(k) for qualified property described in IRC section 168(k)(2) (excluding qualified resurgence zone property described in Tax Law section 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
- disposed this year of either ACRS/MACRS property, or qualified property for which you claimed a federal special depreciation deduction under IRC section 168(k), and the New York State depreciation modifications applied to the property in any prior years.

Line instructions

Part 1 – Computation of New York State depreciation modifications when computing New York State taxable income

Section A – ACRS/MACRS property

Use this section if you claimed a federal ACRS/MACRS depreciation deduction for property placed in service:

- either **in or outside** New York State after 1980 in tax years beginning before 1985; **and**
- **outside** New York State in tax years beginning in 1985 through 1993.

Carry forward from last year's Form CT-399, Part 1, any depreciable properties that require or are entitled to a New York State depreciation modification this year.

Column C – Enter the cost or other basis from federal Form 4562. Property placed in service in 1981 must be shown at the original cost and should not be reduced by any depreciation claimed in 1981.

Column D – Enter the total amount of federal ACRS/MACRS deduction taken in prior years for each item listed.

Column E – Enter the federal ACRS/MACRS deductions taken this year for each item listed.

Columns F and G – Indicate the depreciation method selected for the computation of the New York State allowable depreciation deduction. Any consistent depreciation method that would have

been allowed under IRC section 167, as this section would have applied to property placed in service on December 31, 1980, without regard to section 168, is acceptable, including straight line, declining balance, and sum of years digits.

Column H – Enter the amount of New York State depreciation allowed in prior years. Exception for air freight forwarders: For each item listed in column A, compute an amount that represents the New York State depreciation you would have shown if you had been taxed under Article 9-A since acquiring the property.

Column I – Enter the depreciation computed by the method indicated in column F. The total of this column will be the depreciation allowable as a deduction for New York State.

Section B – Property qualified under IRC section 168(k)(2) for federal special depreciation

Use this section if you claimed a federal special depreciation deduction allowed under IRC section 168(k) for qualified property placed in service on or after June 1, 2003, in tax years beginning after 2002.

Column C – Enter the cost or other basis from federal Form 4562.

Column D – Enter the total amount of the federal depreciation deduction taken under IRC sections 167 and 168 in prior years for each item listed.

Column E – Enter the federal depreciation deduction taken under IRC sections 167 and 168 this year.

Columns F and G – Indicate the depreciation method selected for the computation of the New York State allowable depreciation deduction. Any consistent depreciation method that would have been allowed under IRC section 167, as this section would have applied to the property if it had been acquired on September 10, 2001, without regard to section 168(k), is acceptable.

Column H – See instructions for Part 1, Section A, column H.

Line 3 – If you **have not disposed** of any ACRS/MACRS property placed in service in tax years beginning before 1994, and you **have not disposed** of qualified property for which you claimed a federal special depreciation deduction allowed under IRC section 168(k) (in a tax year beginning after December 31, 2002, for property placed in service on or after June 1, 2003), skip Parts 2 and 3 and enter the totals of columns E and I as follows:

If you file Form:	Enter the amount from line 3, column E, on Form:	**and** Enter the amount from line 3, column I, on Form:
CT-3	CT-225, Schedule A	CT-225, Schedule B
CT-3-A	CT-225-A, Schedule A	CT-225-A, Schedule B
CT-3-A/BC	CT-225-A/B, Schedule A	CT-225-A/B, Schedule B
CT-3-S	CT-34-SH, line 2	CT-34-SH, line 4
CT-33	CT-33, line 70	CT-33, line 78
CT-33-A	CT-33-A, line 73	CT-33-A, line 82
CT-33-A/B	CT-33-A/B, line 73	CT-33-A/B, line 82

If you have disposed of any property listed on Form CT-399 in a prior year, you must complete Parts 2 and 3.

Part 2 – Disposition adjustments

If you sold or disposed this year of either ACRS/MACRS property, or qualified property for which you claimed a federal special depreciation deduction allowed under IRC section 168(k) (excluding qualified resurgence zone property and qualified New York liberty zone property), and the New York State depreciation modifications applied to the property in any prior years, you must make the applicable depreciation addition or subtraction catch-up modification to bring the New York State depreciation deduction on the property to the federal amount.

Note: For ACRS/MACRS property placed in service **outside** New York State in tax years beginning in 1985 through 1993, the New York State depreciation modifications usually will have applied for some of the depreciation years of the property, whether or not you have elected to switch to IRC section 168 depreciation for the property.

Example:

A corporation had placed ACRS/MACRS property in service outside New York State during the calendar year 1993. The corporation filed Form CT-399 for the calendar years 1993 through 1998 and computed the separate New York State depreciation deduction under IRC section 167 on Form CT-399.

The corporation filed Form CT-399 for the calendar year 1999 and chose the option to claim the federal depreciation deduction under IRC section 168 for property placed in service outside New York State during calendar year 1993. On June 1, 2009, the corporation sold the property. When computing the disposition adjustment, the corporation would compute the depreciation deduction in column D as follows:

- *for calendar years 1993 through 1998, the depreciation deduction computed under IRC section 167; and*
- *for calendar years 1999 through 2009, the depreciation deduction computed under IRC section 168.*

Column C – Enter for each item the total amount of federal ACRS/MACRS deductions, including federal special depreciation deductions allowed under IRC section 168(k), used in the computation of federal income for prior and current years.

Column D – Enter for each item the total amount of New York State depreciation deductions used in the computation of prior and current year New York State taxable income. There was no New York State depreciation modification applicable to recovery property for the tax year beginning in 1981. The New York State depreciation deduction conforms with the federal ACRS deduction in that year. Therefore, include the 1981 federal ACRS deduction in this column.

Column E – If the total federal ACRS/MACRS deduction, including a federal special depreciation deduction allowed under IRC section 168(k), is more than the total New York State depreciation, subtract column D from column C and enter the excess in this column.

Column F – If the total New York State depreciation deduction is more than the federal ACRS/MACRS depreciation deduction, including a federal special depreciation deduction allowed under IRC section 168(k), subtract column C from column D and enter the excess in this column.

Disposition of property for certain tax credits – If property on which the investment tax credit, retail enterprise credit, or research and development credit was taken, is disposed of, or removed from qualified use before its useful life or its specified holding period ends, the difference between the credit taken and the credit allowed for actual use must be added to your tax in the year of disposition. This does not pertain to property that has been in qualified use for more than 12 consecutive years. See Form CT-46, *Claim for Investment Tax Credit,* and its instructions to add back this difference.

Need help? and Privacy notification

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