

Instructions for Form NYC-1A



Combined Banking Corporation Tax Return For fiscal years beginning in 2014 or for calendar year **2014**

Highlights

of Recent Tax Law Changes for Banking Corporations

- Royalty payments -- For tax years beginning on or after January 1, 2013, the Banking Corporation Tax was amended to change the treatment of royalty payments to related members. Under prior law, taxpayers who made royalty payments to related entities were required to add back the amount of the payments to taxable income if those payments were deducted when calculating federal taxable income and if the royalty recipient, under certain conditions, could exclude the royalty income. Ad. Code section 11-641(q), as amended, eliminates the income exclusion previously allowed to certain royalty recipients and increases to four the number of exceptions to the add-back requirement. Part E of Chapter 59 of the Laws of 2013, § 11. For more information, see "Royalty Payments to Related Members," below.
- Credit Card Banks -- For tax years beginning on or after January 1, 2011, the Banking Corporation Tax has been amended to provide conditions under which banking corporations, engaged in the business of credit card transactions and not otherwise doing business in New York City ("credit card banks"), will be subject to tax. The Banking Corporation Tax was also amended to clarify the allocation rules under Administrative Code section 11-642(a) (2)(D) and to include provisions for when credit cards banks are included in combined returns with other banking corporations or bank holding companies. Chapter 201 of the Laws of 2009, §§ 21-23. For more information, see "Treatment of Credit Card Banks," below.
- For tax years beginning on or after January 1, 2011, the law has been amended to provide that one of the alternative basis for all corporations subject to the Banking Corporation Tax, including corporations organized under the laws of a country other than the United States, will be taxable assets. Under the law as amended, most corporations subject to the Banking Corporation Tax will be subject to a tax of 0.1 of a mill for every dollar of taxable assets allocated to New York City. However, certain corporations with net worth ratios of less than 5% whose taxable assets are composed of 33% or more of mortgages will be subject to a lower rate and corporations holding net worth certificates under certain provisions of the Fair National Housing Act may not be subject to taxable asset basis. Chapter 201 of the Laws of 2009, § 18. For more information, see Instructions to Schedule D of Form NYC-1.
- Single factor allocation for certain banking corporations - The law was amended to provide banking corporations described below a new single factor allocation percentage for use in allocating income and taxable assets to New York City. For tax years beginning on or after January 1, 2009, the receipts factor will be the allocation percentage for those 65% or more owned subsidiaries of banks and bank holding companies that:
 - are subject to tax under the Banking Corporation Tax because of Administrative Code section 11-640(a)(9); and
 - substantially provide management, administrative, or distribution services to an investment company.

This change will be phased in during a ten-year period beginning in 2009 by weighting of the three factors currently used to compute the allocation percentage. A corporation that qualifies to use the allocation percentage described above can file a combined report only with other corporations subject to tax under the Banking Corporation Tax that qualify to use the same allocation percentage. See Chapter 201 of the Laws of 2009 and Administrative Code section 11-642(b)(1-a).
- Captive Real Estate Investment Trusts (REITs) and Regulated Investment Companies (RICs) - For tax years beginning on or after January 1, 2009, the law has been amended concerning the tax treatment of captive REITs and RICs, that is, those where more than 50% of the voting stock is owned or controlled, directly or indirectly, by a single corporation. Under those amendments, if a banking corporation or bank holding company subject to the Banking Corporation Tax directly owns over 50% of the voting stock of a captive REIT or RIC is the closest controlling shareholder of the voting stock of a captive REIT or RIC, the REIT or RIC may be subject to the Banking Corporation Tax and required to be included in a Banking Corporation Tax combined return with that bank or bank holding company. Chapter 201 of the Laws of 2009. For more information, see "Captive Real Estate Investment Trusts (REITs) and Regulated Investment Companies (RICs)," below.
- Gramm-Leach-Bliley Act Transition Rules Extended - The transition rules for corporations affected by the enactment of the Gramm-Leach-Bliley Act of 1999 have been extended for tax years beginning before 2015. However, for years beginning after 2011, only corporations that meet the definition of a banking corporation in section 11-640(a) of the Administrative Code (see "Who Must File," below) will be allowed to remain subject to the Bank Tax under the transitional provisions. Ch. 59, Part R, §3 of the Laws of 2012.
- Termination of GCT tax status under Gramm-Leach-Bliley transition rules -- The law was amended in 2009 to provide conditions under which corporations subject to tax under the General Corporation Tax (GCT) as a result of the transition rules relating to the Gramm-Leach-Bliley provisions will no longer be taxable under the GCT. If any of the conditions exist or occur in a tax year beginning on or after January 1, 2009, such a corporation will be taxable under the Banking Corporation Tax, rather than the GCT, as of the first day of the tax year in which the condition applied. Administrative Code section 11-640(m), added by Chapter 201 of the Laws of 2009, section 32.

IMPORTANT INFORMATION CONCERNING FORM NYC-200V AND PAYMENT OF TAX DUE

Payments may be made on the NYC Department of Finance website at nyc.gov/eservices, or via check or money order. If paying with check or money order, do not include these payments with your New York City return. Checks and money orders must be accompanied by payment voucher form NYC-200V and sent to the address on the voucher. Form NYC-200V must be postmarked by the return due date to avoid late payment penalties and interest. See form NYC-200V for more information.

GENERAL INFORMATION

Additional instructions are on Form NYC-1.

Transitional provisions relating to the enactment of the Gramm-Leach-Bliley Act of 1999.

Existing Corporations:

Except for a banking corporation described in paragraphs (1) through (8) of Ad. Code section

11-640(a) (see, Form NYC-1, Instructions "Who Must File" items A through C), for taxable years beginning after 1999 and before 2001, a corporation that was in existence before January 1, 2000 was taxable under the same tax (either NYC General Corporation Tax (GCT) or NYC Banking Corporation Tax (BCT)) as applied to it for its last taxable year beginning before January 1, 2000. For this purpose, a corporation was considered to have been subject to a tax prior to 2000 if it was not a taxpayer

but was properly included in a combined report filed by another corporation under that tax. A corporation that was in existence prior to 2000 but first became subject to tax after 2000 is considered to have been subject to whichever tax, GCT or BCT, would have applied based on its activities had it been a taxpayer prior to 2000.

The transitional provisions relating to the Gramm-Leach-Bliley Act of 1999 with respect to existing corporations have been extended to

apply to each tax year following 2000. As a result, existing corporations to which the transitional rules apply remain required to be taxed under the same tax, GCT or BCT, that applied for the preceding years. See Ad. Code §11-640(h)-(l) for more information.

The transition rules were most recently extended to require that a corporation that was in existence before January 1, 2012, to be taxed in years beginning after 2011 and before 2015 under the tax, either the GCT or BCT, that applied to it for the last year beginning before 2012. However, for years beginning after 2011, only corporations that meet the definition of a banking corporation in Ad. Code section 11-640(a) (see "Who Must File," below) will be allowed to remain subject to the Bank Tax under the transitional provisions. Ad. Code §11-640(l)(1) as last amended by Ch. 59, Part R, §3 of the Laws of 2012.

Newly-formed Corporations:

A corporation formed on or after January 1, 2000, and before January 1, 2001 could have elected to be subject to either the GCT or BCT for its taxable years beginning after 1999 and before 2001 **provided:**

- the corporation was a financial subsidiary, or
- at least 65% of the corporation's voting stock was owned or controlled, directly or indirectly, by a financial holding company, and the corporation is principally engaged in activities described in sections 4(k) 4 or 4(k)5 of the Bank Holding Company Act of 1956, as amended, or described in regulations promulgated under that section.

A financial subsidiary is a corporation whose voting stock is 65% or more owned or controlled directly or indirectly, by a banking corporation (including a corporation that elected to be subject to the BCT under these transition rules) described in paragraphs (1) through (3) of Ad. Code section 11-640(a) and described in 12 USC section 24a or section 46 of the Federal Deposit Insurance Act.

A financial holding company is a corporation that has filed with the Federal Reserve Board a written declaration of its election to be a financial holding company under section 4(i) of the Bank Holding Company Act of 1956, as amended, provided the Federal Reserve Board has not found that election to be ineffective.

An election by a newly-formed corporation under this provision had to have been made on or before the due date for filing its return for the applicable year, including extensions, and was made by filing the return required under the appropriate tax. The election is irrevocable.

The transitional provisions relating to the Gramm-Leach-Bliley Act of 1999 with respect to newly-formed corporations have been extended to apply to each tax year following 2000. As a result, a newly-formed corporation is permitted to elect to be taxed under either the GCT or BCT for its first tax year, if it meets the requirements described above. See Ad. Code §11-640(h)-(l) for more information.

The transition rules were most recently extended to permit a qualifying corporation formed on or after January 1, 2012, and before January 1, 2015, to elect to be taxed under either the GCT or BCT for its first tax year beginning after 2011 and before 2015. Ad. Code §11-640(l)(2) as last amended by Ch. 59, Part R, §3 of the Laws of 2012.

Combined Filing under Transitional Provisions

A bank holding company doing business in the City that, during a taxable year beginning after 1999 and before 2015, registers for the first time as a bank holding company under the Bank Holding Company Act of 1956, as amended, and elects to be a financial holding company, may file a combined report under the BCT for such year with one or more banking corporations doing business in the City and 65% or more owned or controlled, directly or indirectly, by that bank holding company without seeking permission from the Commissioner. In addition, such bank holding company may, without seeking the Commissioner's permission: (i) include in a combined report filed for a subsequent year beginning after 1999 and before 2015 any eligible banking corporation that, for the first time in such subsequent year, either is doing business in the City or meets the above ownership requirements; and (ii) eliminate from a combined report filed in any such subsequent year any corporation no longer meeting the requirements for combination in such subsequent year. Except as provided above, the permission of the Commissioner is required for any such bank holding company to cease to file on a combined basis, elect to file on a combined basis or make any changes to the composition of the group of corporations filing on a combined basis for any subsequent year. Ad. Code §11-646(f)(2)(iv), as last amended by Ch. 59, Part R, §4 of the Laws of 2012.

Termination of GCT Tax Status under Transitional Provisions

The law was amended in 2009 to provide conditions under which corporations subject to tax under the GCT as a result of the transition rules relating to the Gramm-Leach-Bliley provisions (both existing and newly-formed corporations as described above) will no longer be taxable under the GCT. If any of the conditions set out below exist or occur in a tax year beginning on or after January 1, 2009, such a corporation will be taxable under the BCT, rather than the GCT,

as of the first day of the tax year in which the condition applied:

- The corporation ceases to be a taxpayer under the GCT.
- The corporation becomes subject to the fixed dollar minimum tax under Ad. Code section 11-604(1)(E)(a)(4).
- The corporation has no wages or receipts allocable to New York City pursuant to Ad. Code section 11-604(1), or is otherwise inactive. However, this condition does not apply to a corporation that is engaged in the active conduct of a trade or business, or substantially all of the assets of which are stock and securities of corporations that are directly or indirectly controlled by it and are engaged in the active conduct of a trade or business.
- 65% or more of the voting stock of the corporation becomes owned or controlled directly by a corporation that acquired the stock in a transaction (or series of related transactions) that qualifies as a purchase within the meaning of Internal Revenue Code section 338(h)(3), unless both corporations, immediately before the purchase, were members of the same affiliated group (as such term is defined in IRC section 1504 without regard to the exclusions provided for in 1504(b)).
- The corporation, in a transaction or series of related transactions, acquires assets, whether by contribution, purchase, or otherwise, having an average value as determined in accordance with Ad. Code section 11-604(2) (or, if greater, a total tax basis) in excess of 40% of the average value (or, if greater, the total tax basis) of all assets of the corporation immediately before the acquisition and, as a result of the acquisition, the corporation is principally engaged in a business that is different from the business immediately before the acquisition (provided that such different business is described in Ad. Code section 11-640(a)(9)(i) or (ii)).

Ad. Code section 11-640(m).

Royalty Payments to Related Members

For tax years beginning on or after January 1, 2013, the Banking Corporation Tax has been amended to change the treatment of royalty payments to related members. Under prior law, taxpayers who made royalty payments to related entities were required to add back the amount of the payments to taxable income if they were deducted when calculating federal taxable income. To avoid double taxation, if the royalty recipient was also a New York tax-

payer, the statute allowed the recipient to exclude the royalty income if the related member added back the deduction for the royalty payment expense.

Ad. Code section 11-641(q), as amended, eliminates the income exclusion previously allowed to certain royalty recipients. It also modifies the two previous exceptions to the add-back requirement and adds two additional exceptions. Those four exceptions generally can apply in following situations (for additional conditions that must be met, see sections indicated below):

- If all or part of the royalty payment a related member received was then paid to an unrelated third party during the tax year, that portion of the payment will be exempt if the transaction giving rise to the original royalty payment to the related member was undertaken for a valid business purpose, and the related member was subject to tax on the royalty payment in this city or another city within the United States or a foreign nation or some combination thereof. (Ad. Code section 11-641(q)(2)(B)(i));
- If the taxpayer's related member paid an aggregate effective rate of tax on the royalty payment, to this city or another city within the United States or some combination thereof, that is not less than 80 percent of the rate of tax that applied to the taxpayer under Ad. Code section 11-643.5 for the tax year (Ad. Code section 11-641(q)(2)(B)(ii));
- If the related member is organized under the laws of a foreign country that has a tax treaty with the United States, the related member's income from the transaction was taxed in such country at an effective rate of tax at least equal to that imposed by this city, and the transaction giving rise to the royalty was undertaken for a valid business purpose and reflected an arm's length relationship. (Ad. Code section 11-641(q)(2)(B)(iii)); or
- If the taxpayer and the Department of Finance agree to alternative adjustments that more appropriately reflect the taxpayer's income. (Ad. Code section 11-641(q)(2)(B)(iv)).

The law as amended also defines the term "related member" by linking it to the definition in Internal Revenue Code Sec. 465(b)(3)(c), but substituting 50 percent for the 10 percent ownership threshold.

Treatment of Credit Cards Banks

For tax years beginning on or after January 1, 2011, the Banking Corporation Tax has been amended to provide criteria by which banking

corporations, engaged in the business of credit card transactions and not otherwise doing business in New York City, will be subject to the tax if they meet certain criteria regarding credit card customers or merchant customer contracts in the City ("credit card banks"). (For more information, see Instructions to Form NYC-1, "Who Must File.")

The law has also been amended concerning the inclusion of credit card banks in combined returns. Under Ad. Code section 11-646(f)(2)(v), if a bank is considered to be doing business in New York City solely because it is a credit card bank, then it will not be included in a combined return with any other banking corporation or bank holding company that is exercising its corporate franchise or doing business in this city, unless a combined return is necessary to properly reflect the tax liability of the credit card bank, the banking corporation, or the bank holding company. The credit card bank may be required to be included in a combined return with a non-taxpayer banking corporation or bank holding company if the non-taxpayer banking corporation or bank holding company provides service or support to the credit card bank's operations. (For more information, see "Who May File Form NYC-1A," on page 4.)

In addition, the law has been amended to provide that, for allocation purposes, interest, fees and certain penalties from bank, credit, travel and entertainment card receivables are considered to be earned within the City if the mailing address of the card holder is in the city.

Captive Real Estate Investment Trusts (REITs) and Regulated Investment Companies (RICs).

Captive REITs and RICs.

For tax years beginning on or after January 1, 2009, the law has been amended to provide that a captive REIT or RIC must generally be included in a combined return under the General Corporation Tax (GCT) or Banking Corporation Tax (BCT). Under new Ad. Code sections 11-601.12 and 11-601.13, a REIT or RIC is a captive REIT or RIC if more than 50% of its voting stock is owned or controlled, directly or indirectly, by a single corporation. Any voting stock held in a segregated asset account of a life insurance corporation as described in Internal Revenue Code section 817 is not taken into account for the purpose of determining the percentage of stock ownership. As explained more below, if a corporation subject to the BCT directly owns over 50% of the voting stock of a captive REIT or RIC or is the "closest controlling shareholder" of a captive REIT or RIC, then the captive REIT or RIC must be included in a combined return under the BCT with that corporation. For these purposes, the "closest controlling stockholder" means the

corporation: (a) that indirectly owns or controls over 50% of the voting stock of a captive REIT or RIC; (b) is subject to tax under the GCT or BCT or otherwise required to be included in a combined return or report under the GCT or BCT; and (c) is the fewest tiers of corporations away in the ownership structure from the captive REIT or RIC.

If a captive REIT or RIC is required to be included in a combined return under the BCT, it will be subject to tax under the BCT and will not be subject to tax under the GCT, and, as a result, must file an NYC-1 return. Ad. Code section 11-640(d).

Requirement to be Included in a Combined Return under the BCT.

A captive REIT or RIC must be included in a combined return under the BCT under the following conditions:

- (a) A captive REIT or a RIC must be included in a combined return with the banking corporation or bank holding company that directly owns or controls over 50% of the voting stock of the captive REIT or RIC if that banking corporation or bank holding company is subject to tax or required to be included in a combined return under the BCT.
- (b) If over 50% of the voting stock of a captive REIT or RIC is not directly owned or controlled by a banking corporation or bank holding company that is subject to tax or required to be included in a combined return under the BCT, then the captive REIT or RIC must be included in a combined return or report under the BCT with the corporation that is the "closest controlling" stockholder of the captive REIT or RIC if it is subject to the BCT.
- (c) If the corporation that directly owns or controls the voting stock of the captive REIT or captive RIC is a corporation organized under the laws of a foreign country and not permitted to make a combined return as provided in Ad. Code section 11-646(f)(4)(ii), then the captive REIT or captive RIC must determine the closest controlling shareholder under Ad. Code section 11-646(f)(2) to be included in a combined return with that corporation. If, the corporation that is the closest controlling stockholder of the captive REIT or captive RIC is a corporation not permitted to make a combined return, then that corporation is deemed to not be in the ownership structure of the captive REIT or captive RIC, and the closest controlling stockholder will be determined under Ad. Code section 11-646(f)(2) without regard to that corporation.

- (d) If a captive REIT owns the stock of a qualified REIT subsidiary (as defined in IRC section 856(i)(2)), then the qualified REIT subsidiary must be included in any combined return required to be made by the captive REIT that owns its stock.
- (e) If a captive REIT or a RIC is required by any of the conditions set out herein to be included in a combined return with another corporation, and that other corporation is required to be included in a combined return with another corporation under other provisions of Ad. Code 11-646(f), the captive REIT or RIC must be included in that combined return with those corporations.
- (f) A captive REIT or RIC must not be included in a combined return or report under the BCT or GCT if a banking corporation or bank holding company that directly or indirectly owns or controls over 50% of the voting stock of the captive REIT or RIC and is the closest controlling stockholder of the captive REIT or RIC is a member of an affiliated group (1) that does not include any corporation that is engaged in a business that a subsidiary of a bank holding company would not be permitted to be engaged in, unless the business is de minimus, and (2) whose members own assets the combined average of which does not exceed \$8 billion. In that instance, the captive REIT or RIC is subject to the provisions of Ad. Code section 11-603.7 or 11-603.8.

Computation of tax for Captive REITs and RICs.

In the case of a combined return under the BCT, the tax is measured by the combined entire net income, combined alternative entire net income, or combined taxable assets of all the corporations included in the return, including any captive REIT or RIC.

In the case where a captive REIT is required under Ad. Code section 11-646(f) to be included in a combined return, "entire net income" means real estate investment trust taxable income as defined in IRC section 857(b)(2) (as modified by section 858), plus the capital gains amount taxable under IRC 857(b)(3), subject to the modifications to entire net income required by Ad. Code section 11-641.

In the case where a RIC is required under Ad. Code section 11-646(f) to be included in a combined return, "entire net income" means investment company taxable income as defined in IRC section 852(b)(2) (as modified by section 855), plus the capital gains amount taxable under IRC section 852(b)(3), subject to the modifications to entire net income required by Ad. Code section 11-641.

Under new Ad. Code section 11-641(e)(16), a deduction is allowed in determining entire net income, to the extent not deductible in determining federal taxable income, for 100% of dividend income from subsidiary capital received during the taxable year. The dividend income must be directly attributable to a dividend from a captive REIT or RIC for which the captive REIT or RIC claimed a federal dividends paid deduction and that captive REIT or RIC is included in a combined return or report under the BCT.

In computing entire net income, the deduction under the IRC for dividends paid by the captive REIT or RIC to any member of the affiliated group that includes the corporation that directly or indirectly owns over 50% of the voting stock of the captive REIT or RIC must be included in the federal taxable income of the captive REIT or RIC. This add back will be phased in over three years. For taxable years beginning on or after January 1, 2009 and before January 1, 2011, 75% of the amount deducted on the REIT or REITs federal return must be added back. For tax years beginning on or after January 1, 2011, 100% of the amount deducted on the REIT or REITs federal return must be added back. The term affiliated group is defined in IRC section 1504 without regard to the exceptions of 1504(b).

WHO MAY FILE FORM NYC-1A

A. CORPORATIONS REQUIRED TO FILE A COMBINED RETURN

A banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity is required to file a combined return with the following:

- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and which owns or controls, directly or indirectly, 80% or more of its voting stock;
- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and in which it owns or controls, directly or indirectly, 80% or more of the voting stock; and
- a captive real estate investment trust (REIT) or a captive regulated investment company (RIC), where the banking corporation or bank holding company subject to the Banking Corporation Tax either directly owns or controls over 50% of the voting stock of the captive REIT or RIC or is the closest controlling shareholder of the REIT or RIC's voting stock (see "Captive Real Estate Investment Trusts (REITs) and

Regulated Investment Companies (RICs)," above).

However, a banking corporation or bank holding company doing business in New York City in a corporate or organized capacity which meets the 80% or more stock ownership requirement may be excluded from a combined return if the corporation or the Department of Finance shows that the inclusion of such a corporation in the combined return fails to properly reflect the tax liability of such corporation.

Tax liability may be deemed to be improperly reflected because of intercorporate transactions (*refer to Intercorporate Transactions below*) or some agreement, understanding, arrangement or transaction whereby the activity, business, income or assets of the corporation within New York City is improperly or inaccurately reflected.

A banking corporation or bank holding company which seeks to be excluded from a combined return may be permitted to do so in the discretion of the Department of Finance.

B. CORPORATIONS THAT MAY BE PERMITTED OR REQUIRED TO FILE A COMBINED RETURN

A banking corporation or bank holding company which meets any of the 65% or more stock ownership requirements described below may be permitted or required to file a combined return only if the Department of Finance determines that such filing is necessary to properly reflect the tax liability of such corporation or other corporations.

A banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity may be permitted or required to file a combined return with the following:

- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and which owns or controls, directly or indirectly, 65% or more of its voting stock; and
- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

A banking corporation or bank holding company which is **not** doing business in New York City in a corporate or organized capacity may be permitted or required to file or be included in a combined return with the following:

- any banking corporation or bank holding

company which is doing business in New York City in a corporate or organized capacity and which owns or controls, directly or indirectly, 65% or more of its voting stock; and

- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

The Department of Finance may permit or require the filing of a combined return by banking corporations or bank holding companies 65% or more of the voting stock of each of which is owned or controlled, directly or indirectly, by the same interest if at least one of such corporations is a taxpayer.

In making its determination whether a combined return is necessary in order to properly reflect the tax liability of any one or more of such corporations, the Department of Finance will first determine whether the group of corporations under consideration is engaged in a unitary business. In deciding whether a corporation is part of a unitary business, the Department of Finance will consider whether the activities in which the corporation engages are related to the activities of the other corporations in the group, or whether the corporation is engaged in the same or related lines of business as the other corporations in the group. It is presumed that corporations which are eligible to be included in a combined return meet the unitary business requirement.

A corporation engaged in a unitary business with one or more of the corporations in the group may be permitted or required to file a combined return where the Department of Finance determines that:

- such corporation has intercorporate transactions (*refer to Intercorporate Transactions, below*) with one or more of the corporations in the group which cause the improper reflection of the activity, business, income or assets within New York City of one or more of the corporations; or
- such corporation has an agreement, understanding, arrangement or transactions with one or more of the corporations in the group which cause the improper reflection of the activity, business, income or assets within New York City of one or more of the corporations.

A banking corporation required to file a New York City tax return solely by reason of being a credit card bank, as described in "Treatment of Credit Card Banks" above, will not be required to be included in a combined return with another

Banking Corporation Tax taxpayer unless it is necessary to properly reflect the tax liability of any of the taxpayers involved. A banking corporation that meets any of the tests that was included in a combined return under the Banking Corporation Tax for its most recent filing before January 1, 2011, may continue to be included in a combined return for future years. However, once included in a combined return for a tax year beginning on or after January 1, 2011, such banking corporation must continue to file in a combined return until consent to file on a separate basis is received from the Commissioner of Finance.

A banking corporation required to file a New York City tax return solely due by being a credit card bank is required to be included in a combined return with:

- (1) any banking corporation not subject to tax under the Banking Corporation Tax whose voting stock is 65% or more owned or controlled, directly or indirectly, by the banking corporation required to file, or
- (2) any banking corporation or bank holding company not subject to tax under the Banking Corporation Tax that owns or controls, directly or indirectly, 65% or more of the voting stock of the banking corporation required to file, or
- (3) any banking corporation not subject to tax under the Banking Corporation Tax whose voting stock is 65% or more owned or controlled, directly or indirectly, by the same corporation or corporations that own or control, directly or indirectly, 65% or more of the voting stock of the banking corporation required to file, if the corporation or corporations in 1, 2, or 3 provide services for, or support to, the operations of the banking corporation required to file unless it is shown that the inclusion of the corporation or corporations in 1, 2, or 3 fails to properly reflect the tax liability of the corporation required to file.

Services for, or support to, include such activities as billing, credit investigation and reporting, marketing, research, advertising, mailing, customer service, information technology, lending and financing services, and communications services, but not accounting, legal, or personal services.

C. CORPORATIONS THAT CANNOT BE INCLUDED IN A COMBINED RETURN

- a corporation which elected under Section 11-640(d) of the Administrative Code to be taxed under Subchapter 2 of Chapter 6, Title 11 of the Administrative Code (General Corporation Tax) for those years such election is in effect,

- a banking corporation or bank holding company whose accounting period differs from the accounting period adopted by the combined group,
- a banking corporation or bank holding company that does not meet the 65% or more stock ownership requirement,
- a banking corporation that must use weighted factors in determining its allocation percentage (see "Weighted Factor Allocation for Certain Banking Corporations," below) can file a combined report only with other corporations subject to tax under the Banking Corporation Tax that qualify to use the same allocation percentage; and
- a captive REIT or RIC must not be included in a combined return or report under the BCT or GCT if a banking corporation or bank holding company that directly or indirectly owns or controls over 50% of the voting stock of the captive REIT or RIC and is the closest controlling stockholder of the captive REIT or RIC is a member of an affiliated group (1) that does not include any corporation that is engaged in a business that a subsidiary of a bank holding company would not be permitted to be engaged in, unless the business is de minimus, and (2) whose members own assets the combined average of which does not exceed \$8 billion. In that instance, the captive REIT or RIC is subject to the provisions of Ad. Code section 11-603.7 or 11-603.8. The term affiliated group is defined in IRC section 1504 without regard to the exceptions of 1504(b).

(Note: Unlike the New York State Tax Law, the Ad. Code does not presently prohibit a banking corporation whose greatest tax, computed on a separate basis, is on taxable assets and whose net worth ratio, computed on a separate basis, is less than five percent and whose total assets are comprised of 33% or more of mortgages, from filing a combined return.)

D. ALIEN CORPORATIONS

- A banking corporation or bank holding company organized under the laws of a country other than the United States may not file a combined return with a banking corporation or bank holding company organized under the laws of the U.S., New York State or any other state. An alien corporation can only be included in a combined return with other alien corporations.

INTERCORPORATE TRANSACTIONS

In deciding whether there are intercorporate transactions which cause the improper reflection of the tax liability of a corporation within New

York City, the Department of Finance will consider transactions directly connected with the business conducted by the corporations, such as

- performing services for other corporations in the group,
- providing funds to other corporations in the group, or
- performing related customer services using common facilities and employees.

Service functions will not be considered when they are incidental to the business of the corporation providing the services. Service functions include, but are not limited to, accounting, legal and personnel services. It is not necessary to have intercorporate transactions between each member and every other member of the group. It is, however, essential that each corporation have intercorporate transactions with one other combinable corporation or with the combined group of corporations.

CHANGE IN COMPOSITION OF A COMBINED GROUP

If a banking corporation or bank holding company has been required or permitted to file a combined return, the corporation must continue to file a combined return until the facts affecting its combined reporting status materially change.

Provided all of the information required to be submitted on page 6 of the Form NYC-1A and on the Combined Group Information Schedule is submitted, a group of corporations meeting the requirements set forth above (**WHO MAY FILE FORM NYC-1A, B. CORPORATIONS THAT MAY BE PERMITTED OR REQUIRED TO FILE A COMBINED RETURN**) is deemed to have tentative permission to file on a combined basis, however, the combined filing is subject to revision or disallowance on audit. This return will not be considered complete unless all of the information required is submitted.

In general, each banking corporation or bank holding company is a separate taxable entity and must file its own tax return; however, a group of banking corporations and bank holding companies may be permitted or required to file a combined return to properly reflect the tax liability of such corporations under the Banking Corporation Tax Law. In all cases where a combined return is permitted or required, a combined tax return must be filed on Form NYC-1A. In addition, a separate tax return must be filed by each corporation in the combined group on Form NYC-1 and attached to Form NYC-1A.

If the parent corporation is not included in the group of banking corporations and bank holding companies filing a combined return, then

one of the group’s member corporations shall be designated as the parent for purposes of completing Form NYC-1A. This designated parent must be used in all subsequent years in which the group continues to file a combined return, unless the group has received the permission of the Department of Finance to designate a different parent for the combined return.

WHERE AND WHEN TO FILE

This return must be filed by calendar year taxpayers for the calendar year ended December 31, 2014, on March 16, 2015, and by fiscal year taxpayers on or before the 15th day of the third month following the close of the reporting period. An automatic extension of time to file the tax return may be obtained by filing Form NYC-EXT and paying the properly estimated tax.

All returns, except refund returns:

**NYC Department of Finance
P.O. Box 5564
Binghamton, NY 13902-5564**

Remittances - Pay online with Form NYC-200V at nyc.gov/eservices, or Mail payment and Form NYC-200V only to:

**NYC Department of Finance
P.O. Box 3646
New York, NY 10008-3646**

Returns claiming refunds:

**NYC Department of Finance
P.O. Box 5563
Binghamton, NY 13902-5563**

SIGNATURE

This report must be signed by an officer authorized to certify that the statements contained herein are true.

Certain short-period returns: If this is **NOT** a final return and your Federal return covered a period of less than 12 months as a result of your joining or leaving a Federal consolidated group or as a result of a Federal IRC §338 election, this return generally will be due on the due date for the Federal return and not on the date noted above. **Check the box on the front of the return.**

Preparer Authorization: If you want to allow the Department of Finance to discuss your return with the paid preparer who signed it, you must check the "yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Preparer's Use Only" section of your return. It does not apply to the firm, if any, shown in that section. By checking the "Yes" box, you are authorizing the Department of Finance to call the preparer to answer any questions that may arise

during the processing of your return. Also, you are authorizing the preparer to:

- Give the Department any information missing from your return,
- Call the Department for information about the processing of your return or the status of your refund or payment(s), and
- Respond to certain **notices that you have shared with the preparer** about math errors, offsets, and return preparation. The notices will not be sent to the preparer.

You are not authorizing the preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the Department. The authorization cannot be revoked, however, the authorization will automatically expire no later than the due date (without regard to any extensions) for filing next year's return. **Failure to check the box will be deemed a denial of authority.**

SPECIFIC INSTRUCTIONS

Check the box marked "yes" on page 1 of this form if, on your federal return: (i) you reported bonus depreciation and/or a first year expense deduction under IRC §179 for "qualified Resurgence Zone property," regardless of whether you are required to file form NYC-399Z, or (ii) you replaced property involuntarily converted as a result of the attacks on the World Trade Center during the five (5) year extended replacement period. You must attach Federal forms 4562, 4684 and 4797 to this return.

If this combined return includes a captive real estate investment trust or captive regulated investment company, check the box on page 7 of the return and compute the combined group’s tax in accordance with the instructions set out in “Captive Real Estate Investment Trusts (REITs) and Regulated Investment Companies (RICs),” above.

Special Condition Codes

At the time this form is being published, there are no special condition codes for tax year 2013. Check the Finance website for updated special condition codes. If applicable, enter the two character code in the box provided on the form.

Computation of Combined Tax

Each corporation included in the combined return is required to compute entire net income, alternative entire net income and taxable assets on Form NYC- 1 as if it had filed its federal income tax return on a separate basis.

When computing combined entire net income

(Schedule K, line 36) and combined alternative entire net income (Schedule L, line 40) on Form NYC-1A, intercorporate dividends and intercorporate transactions between the corporations included in the combined return must be eliminated. Intercorporate profits are deferred, capital losses are to be offset against capital gains and contributions are to be deducted as if the corporations in the group had filed a consolidated federal income tax return.

When computing combined entire net income and combined alternative entire net income, taxpayers using a different adjusted basis for property placed in service in taxable years beginning before January 1, 1981, or a different method of depreciation for City tax purposes than for Federal tax purposes for such property must make appropriate adjustments to Federal taxable income. Attach a schedule showing the adjustments. See subdivisions (c) and (j)(2) of Ad. Code section 11-641 and the instructions to Form NYC-1 for details.

When computing combined taxable assets (Schedule M, line 44) on Form NYC-1A, intercorporate stockholdings and bills, notes, accounts receivable and payable, and other intercorporate indebtedness between the corporations included in the combined return must be eliminated.

A corporation is not subject to the tax on taxable assets for that portion of the tax year in which it had outstanding net worth certificates issued to the following: the Federal Deposit Insurance Corporation (FDIC) under 12 USC section 1823(i); or the Resolution Trust Corporation (RTC) under 12 USC section 1823(c)(1), (2), or (3); or the Federal Savings and Loan Insurance Corporation (FSLIC) under former section 406(f)(5) of the Federal National Housing Act, as amended, before its repeal.

For information concerning the computation of net worth ratio (Schedule M, line 48) and mortgages included in total assets (Schedule M, line 49, see instructions to Schedule D of Form NYC-1.

Combined groups with more than three members must attach a rider for each such additional member providing the amounts of lines 36 through 49 of Schedules K, L and M. Such amounts must be included within the total shown in column A of Schedules K, L and M.

Riders must be attached to the return setting forth all intercorporate eliminations. The rider must clearly show the amount of the intercorporate transactions and identify the corporations involved in each transaction.

Computation of Combined Allocation Percentages

Each corporation included in the combined return must compute the entire net income allocation percentage, alternative entire net income allocation percentage, and taxable assets allocation percentage on Form NYC-1 as if it had filed its federal income tax return on a separate basis.

When computing the combined allocation percentages (Schedule J) on Form NYC-1A, the payroll, receipts and deposits factors in each allocation percentage are computed as though the corporations included in the combined return were one corporation. Intercorporate dividends and all other intercorporate transactions including intercorporate receipts and deposits between the corporations included in the combined return are eliminated.

Combined groups with more than three members must attach a rider for each such additional member providing the amounts of lines 1 through 35 of Schedule J. Such amounts must be included within the total shown in column A of Schedule J.

Riders must be attached to the return setting forth all intercorporate eliminations. The rider must clearly show the amount of the intercorporate transactions and identify the corporations involved in each transaction.

Weighted Factor Allocation for Certain Banking Corporations

For tax years beginning on or after January 1, 2014, and before January 1, 2015, corporations that are 65% or more owned subsidiaries of banks and bank holding companies that are subject to tax under the Banking Corporation Tax as a result of Administrative Code section 11-640(a)(9), and that substantially provide management, administrative, or distribution services to an investment company must weight the three factors as follows: 8% for payroll; 76% for receipts; and 16% for deposits. Those corporations using weighted factors must make the adjustments on Schedule J described below.

A banking corporation that must use weighted factors in determining its allocation percentage can file a combined report only with other corporations that qualify to use the same allocation percentage.

Adjustments to Part 1 of Schedule J. Corporations utilizing the weighted factors do not complete lines 8, 12, and 13.

Corporations using the weighted factors complete the following worksheet. Enter the figures from lines 4, 7, and 11, exactly as they appear on those lines (without percentage symbols).

WORKSHEET - PART 1

- A. Enter figure from line 4 A. _____
- B. Multiply line A by 8..... B. _____
- C. Enter figure from line 7 C. _____
- D. Multiply line C by 76 D. _____
- E. Enter figure from line 11 .. E. _____
- F. Multiply line E by 16..... F. _____
- G. Add lines B, D, and F G. _____
- H. Divide line G by 100 if no factors are missing. If a factor is missing, divide line G by the total of the weights of the factors present. Round to four decimal places..... H. _____

Enter the line H amount on line 14.

Adjustments to Part 3 of Schedule J. Corporations utilizing the weighted factors do not complete lines 29, 33, and 34.

Corporations using the weighted factors complete the following worksheet. Enter the figures from lines 25, 28, and 32, exactly as they appear on those lines (without percentage symbols).

WORKSHEET - PART 3

- A. Enter figure from line 25 .. A. _____
- B. Multiply line A by 8..... B. _____
- C. Enter figure from line 28 . C. _____
- D. Multiply line C by 76 D. _____
- E. Enter figure from line 32 .. E. _____
- F. Multiply line E by 16..... F. _____
- G. Add lines B, D, and F G. _____
- H. Divide line G by 100 if no factors are missing. If a factor is missing, divide line G by the total of the weights of the factors present. Round to four decimal places .. H. _____

Enter the line H amount on line 35.

Minimum Tax

Each corporation included in the combined return, other than the taxpayer paying the combined tax, is required to pay the minimum tax of \$125.00. When the fixed minimum tax (Schedule A, line 4) is the combined tax of the group (Schedule A, line 5), this fixed minimum tax must be paid in addition to the amount of the combined fixed minimum tax for subsidiaries (Schedule A, line 6). A corporation which would not otherwise be taxable in New York

City except for its inclusion in a combined return is not required to pay the minimum tax of \$125.00.

IBF Adjustment to Entire Net Income, Alternative Entire Net Income and Allocation Percentages

If any corporation in a combined return modified entire net income and alternative entire net income pursuant to Section 11-641(f), all corporations in the combined return are deemed to have made such modification and are required to compute entire net income, alternative entire net income and the allocation percentages accordingly. If any corporation in a combined return computed entire net income and alternative entire net income pursuant to Section 11-642(b)(2), all corporations in the combined return are deemed to have made such election and are required to compute entire net income, alternative entire net income and the allocation percentages accordingly.

TOTAL REMITTANCE DUE

If the amount on line 14 is greater than zero or the amount on line 18 is less than zero, enter on line 20 the sum of the amount on line 14 and the amount by which line 17 exceeds the amount on line 15, if any.

ISSUER'S ALLOCATION PERCENTAGE

See instructions for Form NYC-1, Schedule A, line 19.

COMBINED GROUP INFORMATION SCHEDULE

All of the information required on this schedule must be submitted for this return to be considered complete. Failure to provide any information requested will result in correspondence and may result in the filing on a combined basis by this group being revised or disallowed.