

# Instructions for Form NYC-1



## Banking Corporation Tax Return

For fiscal years beginning in 2021 or for calendar year 2021

### IMPORTANT INFORMATION REGARDING THE FILING OF NYC CORPORATE TAX RETURNS

Pursuant to section 11-639 of the Administrative Code of the City of New York as amended by sections 4 and 5 of Part D of Chapter 60 of the Laws of 2015, for taxable years beginning on or after January 1, 2015, the Banking Corporation Tax is only applicable to Subchapter S Corporations and Qualified Subchapter S Subsidiaries. Therefore, only these types of corporations should file this return. All other corporations should file a return on Form NYC-2 or, if included in a combined return, on Form NYC-2A.

### 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](http://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.

### Highlights of Recent Tax Law Changes for Banking Corporations

- For details on the proper reporting of income and expenses addressed in the federal Tax Cuts and Jobs Act of 2017, such as mandatory deemed repatriation income, foreign-derived intangible income (FDII), global intangible low-taxed income (GILTI), please refer to Finance Memorandum 18-10. For information about the IRC section 163(j) limitation on the business interest expense deduction, please refer to Finance Memorandum 18-11.
- For taxable years beginning on or after January 1, 2015, federal or state tax base changes should be reported as an Amended Return. See Finance Memorandum 17-5, "Reporting Federal or State Changes", revised and dated October 10, 2018, for more information.

## GENERAL INFORMATION

**NOTE:** This form may be used by federal Subchapter S Corporations and Qualified Subchapter S Subsidiaries only. If any instructions appear to apply to C Corporations, they should be read to apply only to S corps and qualified S subsidiaries.

### 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 taxpayer, 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 mem-

ber 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 Card 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 "Who Must File," below.)

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, 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 the Instructions for Form NYC-1A, "Who May File Form NYC-1A.")

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.

### Treatment of Bad Debt Deductions

For tax years beginning on or after January 1, 2010, the law has been amended to conform the treatment of bad debt deductions under Banking

Corporation Tax (BCT) to the treatment for federal income tax purposes. Previously, in computing entire net income (ENI), the BCT generally required that taxpayers add to federal taxable income (FTI) the amount allowed as a bad deduction formerly, lines 12, 13, and 14 on the NYC-1, Schedule B (unless otherwise noted, line references below are to Schedule B of NYC-1) and to subtract from FTI certain amounts relating to bad debts as provided under the BCT (formerly, lines 29, 30, 31a, and 31b). As amended, taxpayer will no longer make those additions and subtractions to FTI relating to bad debts, and those lines have been eliminated. The amendments will also affect amounts on certain other lines. The amendments apply to thrift institutions (as defined in Ad. Code section 11-641(h)(1)) and to other banks.

#### Banks other than thrift institutions

The following additions to FTI are no longer required when computing ENI:

- the bad debt amount allowed as a deduction pursuant to Internal Revenue Code (IRC) section 166, formerly taken on line 13 (see Ad. Code section 11-641(b)(11))
- for taxpayers subject to Ad. Code section 11-641(i), the 20% of the excess of the New York City bad debt deduction allowed pursuant to Ad. Code section 11-641(i) over the amount which would have been allowed if a bad debt reserve had been maintained for all tax years on the basis of actual experience, formerly taken on line 14 (see Ad. Code section 11-641(b)(12))

The following subtractions from FTI are no longer allowed when computing ENI:

- the recapture amount of the balance of the reserve for losses on loans pursuant to IRC section 585(c) that is included in FTI, formerly taken on line 29 (see Ad. Code section 11-641(e)(13))
- the amount included in FTI as a result of a recovery of a loan formerly taken on line 30 (see Ad. Code section 11-641(e)(14))
- for banks subject to the provisions of IRC section 585(c) and not subject to Ad. Code 11-641(h), the amount determined pursuant to Ad. Code section 11-641(i), formerly taken on line 31(b) (see Ad. Code section 11-641(i)(1))

In addition, the establishment and maintenance of a New York reserve for losses on loans is no longer necessary for banks subject to the provisions of Ad. Code section 11-641(i)(1) (see Ad. Code section 11-641(i)(2)).

#### Thrift institutions (as defined in Ad. Code section 11-641(h)(1))

The following addition to FTI is no longer required

when computing entire net income ENI:

- any amount allowed as a deduction for federal income tax purposes pursuant to IRC sections 166, 585, or 593, formerly taken on line 12 (see Ad. Code section 11-641(h)(2))

The following subtraction from FTI is no longer required when computing ENI:

- the amount of a reasonable addition to a New York reserve for bad debts, formerly taken on line 31a (see Ad. Code section 11-641(h)(3))

In addition, the following subtraction from FTI is no longer allowed when computing ENI for banks that currently are, or previously had been, subject to the bad debt provisions of Ad. Code section 11-641(h):

- any amount included in FTI pursuant to IRC section 593(e)(2), and any amount included as a result of a recovery of or termination from the use of a bad debt reserve as defined in IRC section 593 as in existence on December 31, 1995, as a result of federal legislation enacted after December 31, 1995, formerly included on line 32 (see Ad. Code section 11-641(h)(15))

Based on the law changes above:

- The establishment and maintenance of a New York reserve for losses on loans is no longer necessary for thrift institutions (see Ad. Code section 11-641(h)(6)).
- Taxpayers ceasing to meet the definition of a thrift institution no longer need to include in ENI any amounts of their New York reserve for losses (see Ad. Code section 11-641(h)(9)).

#### Net operating loss deduction under Ad. Code section 11-641(k-1)

There is no longer a separate New York City deduction for bad debts allowed under either Ad. Code section 11-641(h) or 11-641(i) for tax years beginning on or after January 1, 2010. Therefore, the excess deduction specified in Ad. Code section 11-641(k-1)(3) allowed to augment the federal net operating loss deduction allowed under IRC section 172, formerly included on 31c, paragraph (e), will no longer be permitted for loss years beginning on or after January 1, 2010. Any excess deduction amounts from loss years beginning before January 1, 2010, are not affected.

#### **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 11-602.13, 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. The term affiliated group is defined in IRC section 1504 without regard to the exceptions of 1504(b).

#### 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 addback will be phased in over three years. For tax years beginning on or after January 1, 2009, and before January 1, 2011, 75% of the amount deducted on the REIT or RIC’s 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 MUST FILE**

The Banking Corporation Tax Law imposes a tax on every banking corporation for the privilege of doing business in New York City in a corporate or organized capacity for all or any part of its taxable year. It also imposes the tax on bank holding companies, captive real estate investment trusts (REITs), and captive regulated investment companies (RICs) when included in a combined return. For tax years beginning on or after January 1, 2015, the Banking Corporation Tax Law is only applicable to federal S corporations and qualified Subchapter S subsidiaries.

Banking corporations that have made an election under Subchapter S of the Internal Revenue Code are subject to tax as if no S election were made. Ad. Code §11-641(a)(4) and (5).

Included as banking corporations are the following:

- A. New York State banking corporations -** Every corporation organized under the laws of New York State which is authorized to do or is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, limited purpose trust companies, subsidiary trust companies, savings banks, savings and loan associations, agreement corporations, and the New York Business Development Corporation. Also included as a banking corporation is the New York State Mortgage Facilities Corporation.
- B. Banking corporations organized under the laws of another state -** Every corporation organized under the laws of another state or country which is doing a banking business is a banking corporation. Such corporations include, but are not limited to, commercial banks, trust companies, savings banks, savings and loan associations and agreement corporations.
- C. Banking corporations organized under the laws of the United States -** Every National Banking Association, Federal Savings Bank, Federal Savings and Loan Association and every other corporation or association organized under the authority of the United States (including an Edge Act corporation) which is doing a banking business is a banking corporation. Also classified as a banking corporation is every production credit association organized under the Federal Farm Credit Act of 1933 which is doing a banking business and all of whose stock held by the Federal Production Credit Corporation has been retired.
- D. Corporations owned by a bank or a bank holding company -** Every corporation which is principally engaged in a business which:
  - 1) might lawfully be conducted by a corporation subject to Article 3 of the New York State Banking Law or by a national banking association, or
  - 2) is so closely related to banking or managing or controlling banks as to be a proper incident thereto as defined in Section 4(c)(8) of the Federal Bank Holding Company Act of 1956, as amended, or
  - 3) holds and manages investment assets, including but not limited to bonds, notes, debentures, and other obligations for the payment of money, stocks, partnership interests or other equity interests, and other investment securities,

is a banking corporation, provided such corporation's voting stock is 65% or more owned or controlled directly or indirectly by a banking corporation described above or a bank holding company.

Under Ad. Code Section 11-640(d)(2), a 65% or more owned corporation which was subject to tax under Part II of Title R of Chapter 46 of the Administrative Code (the NYC General Corporation Tax) for its taxable year ending in 1984 and which had made a timely election to continue to be taxable under the General Corporation Tax (now codified as Subchapter 2 of Chapter 6 of Title 11 of the Administrative Code) for its taxable year ending in 1985, continues to be taxable under the General Corporation Tax Law until the election is revoked by the taxpayer. In no event can the election be revoked for part of the tax year. The revocation is made by the filing of a Banking Corporation Tax Return pursuant to Subchapter 3 of Chapter 6 of Title 11 of the Administrative Code. An election under Ad. Code section 11-640(d)(2) will be terminated if the conditions in Ad. Code section 11-640(m) are met (see "Termination of GCT Tax Status under Transitional Provisions," above).

**E. Credit Card Banks** - Effective for tax years beginning on or after January 1, 2011, the law has been amended to provide criteria under which a banking corporation, not otherwise doing business in New York City, will be considered to be doing business in this city in a corporate or organized capacity and, therefore, be subject to the Banking Corporation Tax. Under the new law, a banking corporation is doing business in New York City for a taxable year if it satisfies any one of the following criteria:

- It has issued credit cards to 1,000 or more customers who have a mailing address within New York City as of the last day of its taxable year.
- It has merchant customer contracts with merchants to whom the banking corporation remitted payments for credit card transactions during the taxable year and the total number of locations covered by those contracts equals 1,000 or more locations in New York City.
- It has receipts of \$1,000,000 or more in the taxable year from its customers who have been issued credit cards by the banking corporation and have a mailing address within New York City.
- It has receipts of \$1,000,000 or more in the taxable year arising from merchant customer contracts with merchants relat-

ing to locations in New York City.

- For the taxable year, the sum of the number of customers described in criterion (a) plus the number of locations covered by its contracts described in criterion (b) equals 1,000 or more, or the total amount of its receipts described in criterion (c) and criterion (d) equals \$1,000,000 or more.

For purposes of the above:

- The term *credit card* includes bank, credit, travel, and entertainment cards.
- Receipts from processing credit card transactions for merchants include merchant discount fees received by the credit card bank.
- Taxable year* means the taxpayer's taxable year for federal income tax purposes.

#### **DEFINITION OF DOING BUSINESS WITHIN NEW YORK CITY**

The phrase "doing business" is used in a comprehensive sense and includes all activities which occupy the time or labor of people for profit. In determining whether or not a corporation is doing business in New York City, consideration is given to such factors as: the nature, continuity, frequency and regularity of the activities of the corporation in New York City; the location of the corporation's offices and other places of business; the employment in New York City of agents, officers and employees of the corporation; and other relevant factors. Activities which constitute doing business in New York City include operating a branch, loan production office, representative office or a bona fide office in New York City. Activities which do not constitute doing business in New York City include occasionally acquiring a security interest in real or personal property located in New York City, occasionally acquiring title to property located in New York City through foreclosure of a security interest, or the mere holding of meetings of the board of directors in New York City.

#### **DEFINITION OF BANKING BUSINESS**

The phrase "banking business" means the business a corporation may be created to do under Article 3 (Banks and Trust Companies), Article 3-B (Subsidiary Trust Companies), Article 5 (Foreign Banking Corporations and National Banks), Article 5-A (New York Business Development Corporation), Article 6 (Savings Banks) or Article 10 (Savings and Loan Associations) of the New York State Banking Law, or the business a corporation is authorized to do by such articles. With respect to a national banking association, federal savings bank, federal savings and loan association or production credit association, the phrase "banking business" means the business a national banking association, federal savings bank, federal savings and loan association or production credit association may be creat-

ed to do or is authorized to do under the laws of the United States or the laws of New York State.

The phrase "banking business" also means such business as any corporation organized under the authority of the United States or organized under the laws of any other state or country has authority to do which is substantially similar to the business which a corporation may be created to do under Article 3, 3-B, 5, 5-A, 6 or 10 of the New York State Banking Law, or any business which a corporation is authorized to do by such article.

#### **DEFINITION OF A BANK HOLDING COMPANY**

The phrase "bank holding company" means:

- a corporation subject to Article 3-a of the New York State Banking Law;
- a corporation registered under the Federal Bank Holding Company Act of 1956, as amended; or
- a corporation registered as a savings and loan holding company (excluding a diversified savings and loan holding company) under the Federal National Housing Act, as amended.

#### **DEFINITION OF AN ALIEN CORPORATION**

The phrase "alien corporation" means a corporation organized under the laws of a country other than the United States.

#### **DEFINITION OF AN INTERNATIONAL BANKING FACILITY (IBF)**

The phrase "international banking facility" means an international banking facility located in New York State. The phrase has the same meaning as is set forth in the New York State Banking Law or regulations promulgated thereunder or as is set forth in the laws of the United States or regulations of the Board of Governors of the Federal Reserve System.

See Schedule F instructions for information on the IBF modification method and the IBF allocation method.

#### **ALLOCATION**

A corporation which is doing business both within and without New York City is entitled to allocate its entire net income, alternative entire net income, taxable assets, and issued capital stock within and without New York City. A corporation which is not doing business outside New York City must allocate its entire net income, alternative entire net income, taxable assets, and issued capital stock 100% to New York City. However, a corporation that has an international banking facility (IBF) located in New York State may elect to reflect the results of its IBF operations in its entire net income allocation percentage and in its alternative entire net income allocation percentage.

**COMBINED RETURN**

In all cases where a combined return is permitted or required, a completed Form NYC-1 must be filed by each corporation included in the combined return.

**COPY OF FEDERAL RETURN**

Attach a copy of federal Form 1120S, including all attachments, and any other returns or information requested in this return.

**WHERE AND WHEN TO FILE**

The due date for filing is on or before March 15, 2022, or, for fiscal year taxpayers, on or before the 15th day of the 3rd month following the close of the fiscal year.

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](http://nyc.gov/eservices), or Mail payment and Form NYC-200V only to:

**NYC Department of Finance**

**P.O. Box 3933**

**New York, NY 10008-3933**

Returns claiming refunds:

**NYC Department of Finance**

**P.O. BOX 5563**

**Binghamton, NY 13902-5563**

**AUTOMATIC EXTENSIONS**

An automatic extension of six months for filing this return will be allowed if, by the original due date, the taxpayer files with the Department of Finance an application for automatic extension on Form NYC-EXT and pays the amount properly estimated as its tax. See the instructions for Form NYC-EXT for information regarding what constitutes a properly estimated tax for this purpose. Failure to pay a properly estimated amount will result in a denial of the extension.

A taxpayer with a valid six-month automatic extension filed on Form NYC-EXT may request up to two additional three-month extensions by filing Form NYC-EXT.1. A separate Form NYC-EXT.1 must be filed for each additional three-month extension.

Mail both NYC-EXT and NYC-EXT.1 to the address indicated on the form. These forms may be electronically filed.

**FEDERAL OR NEW YORK STATE CHANGES**

For taxable years beginning on or after January 1, 2015, changes in taxable income or other tax base made by the Internal Revenue Service ("IRS") and/or New York State Department of Taxation and Finance ("DTF") will no longer be reported on form NYC-3360B. Instead, taxpay-

ers must report these federal or state changes to taxable income or other tax base by filing an amended return. This amended return must include the DOF tax worksheet that identifies each change to the tax base ("Tax Base Change") and shows how each such Tax Base Change affects the taxpayer's calculation of its New York City tax. Templates for the tax worksheets are available on the DOF website at [nyc.gov/finance](http://nyc.gov/finance). This amended return must also include a copy of the IRS and/or DTF final determination, waiver, or notice of carryback allowance. Taxpayers that have federal and state Tax Base Changes for the same tax period may report these changes on the same amended return that includes separate explanatory tax worksheets for the IRS Tax Base Changes and the DTF Tax Base Changes. Note that for taxable years beginning on or after January 1, 2015, DTF Tax Base Changes may include changes that affect income or capital allocation.

The Amended Return checkbox on the return is to be used for reporting an IRS or DTF Tax Base Changes, with the appropriate box for the agency making the Tax Base Changes also checked. Taxpayers must file an amended return for Tax Base Changes within 90 days (120 days for taxpayers filing a combined report) after (i) a final determination on the part of the IRS or DTF, (ii) the signing of a waiver under IRC §6312(d) or NY Tax Law §1081(f), or (iii) the IRS' allowance of a tentative adjustment based on a net capital loss carryback.

If the taxpayer believes that any Tax Base Change is erroneous or should not apply to its City tax calculation, it should not incorporate that Tax Base Change into its City tax calculation on its amended return. However, the taxpayer must attach: (i) a statement to its report that explains why it believes the adjustment is erroneous or inapplicable; (ii) the explanatory tax worksheet that identifies each Tax Base Change and shows how each would affect its City tax calculation; and (iii) a copy of the IRS and/or DTF final determination, waiver, or notice of carryback allowance.

For more information on federal or state Tax Base Changes, including a more expansive explanation of how taxpayers must report these changes as well as samples of tax worksheets to be included within the amended return, see Finance Memorandum 17-5, revised and dated 10/10/2018.

To report changes in taxable income or other tax base made by the Internal Revenue Service and/or New York State Department of Taxation and Finance for taxable years beginning prior to January 1, 2015, the Form NYC-3360B should still be used.

**Special 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.**

**SIGNATURE**

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

**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 appropriate box 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. See instructions for Schedule B, lines 8 and 15 for more information.

Check the appropriate box on page 1 of this form if you are a captive real estate investment trust (REIT) or a captive regulated investment companies (RIC).

**Special Condition Codes**

Check the Finance website for applicable special condition codes. If applicable, enter the two character code in the box provided on the form.

**SCHEDULE A****Computation of Tax****LINE 1 - ALLOCATED TAXABLE ENTIRE NET INCOME**

Enter allocated taxable entire net income computed in Schedule B, line 31, and multiply by the tax rate of 9% (.09).

**LINE 2 - ALLOCATED TAXABLE ALTERNATIVE ENTIRE NET INCOME**

Enter allocated taxable alternative entire net income computed in Schedule C, line 6, and multiply by the tax rate of 3% (.03).

**LINE 3 - ALLOCATED TAXABLE ASSETS**

Enter allocated taxable assets computed on Schedule D, line 4, and multiply by the appropriate tax rate from the chart following Schedule D.

**LINE 4**

Enter the fixed minimum tax of \$125.

**LINE 5 - TAX**

Enter the largest of the taxes computed on lines 1 through 4.

**LINE 6 - UBT PAID CREDIT**

Enter the credit against the Banking Corporation Tax for Unincorporated Business Tax paid by partnerships from which you receive a distributive share or guaranteed payment that you include in calculating Banking Corporation Tax liability on either the entire net income or alternative entire net income base. Attach Form NYC-9.7B.

**LINE 8a - REAP CREDIT**

Corporations claiming the Relocation and Employment Assistance Program (REAP) credit must enter the amount shown on line 11 of Form NYC-9.5.

**LINE 8b - LMREAP CREDIT**

Corporations claiming the Lower Manhattan Relocation and Employment Assistance Program (LMREAP) credit must enter the amount shown on line 11 of Form NYC-9.8.

**LINE 10a - AUTOMATIC EXTENSION**

Use this line if you have filed an application for automatic extension on Form NYC-EXT. Enter amount from line 2 of Form NYC-EXT.

**LINE 10b**

If the tax on line 9 exceeds \$1,000 and Form NYC-EXT was not filed, a mandatory first installment of estimated tax is required for the period following that covered by this return. Enter 25% of the amount on line 9.

**LINE 12 - PREPAYMENTS**

Enter the sum of all estimated tax payments made for this tax period, the payment made with the extension request, if any, and both the carryover credit and the first installment reported on the prior tax period's return. This figure should be obtained from the Composition of Prepayments Schedule on page 6 of Form NYC-1.

**LINE 15a - LATE PAYMENT - INTEREST**

If the tax due is not paid on or before the due date (determined without regard to any extension of time), interest must be paid on the amount of the underpayment from the due date to the date paid. For information regarding interest rates, visit the Finance website at [nyc.gov/finance](http://nyc.gov/finance) or call 311. If calling from outside of the five NYC boroughs, please call 212-NEW-YORK (212-639-9675).

**LINE 15b - LATE PAYMENT OR LATE FILING/ADDITIONAL CHARGES**

- a) A **late filing penalty** is assessed if you fail to file this form when due, unless the failure is due to reasonable cause. For every month or partial month that this form is late (determined with regard to extension), add to the tax (less any payments made on or before the due date) 5%, up to a total of 25%.
- b) If this form is filed more than 60 days late, the above **late filing penalty** will not be less than the lesser of (1) \$100 or (2) 100% of the amount required to be shown on the form (less any payments made by the due date or credits claimed on the return).
- c) A **late payment penalty** is assessed if you fail to pay the tax shown on this form by the prescribed filing date, unless the failure is due to reasonable cause. For every month or partial month that your payment is late, add to the tax (less any payments made) 1/2%, up to a total of 25%.
- d) The total of the additional charges in *a* and *c* may not exceed 5% for any one month except as provided for in *b*.

If you claim not to be liable for these additional charges, attach a statement to your return explaining the delay in filing, payment or both.

**LINE 19 - TOTAL REMITTANCE**

If the amount on line 13 is greater than zero or the amount on line 17 is less than zero, enter the sum of the amount on line 13 and the amount by which line 16 exceeds the amount on line 14. After completing this return, enter the amount of your remittance on line A. Remittances must be made payable to the order of **NYC DEPARTMENT OF FINANCE**.

**LINE 20 - ISSUER'S ALLOCATION PERCENTAGE**

Every corporation subject to tax under Part 4 of

Subchapter 3, Chapter 6, Title 11 of the Administrative Code, including each corporation included in a combined return, must compute its issuer's allocation percentage on a separate basis. **The issuer's allocation percentage cannot be less than zero.**

A banking corporation, as defined in Section 11-640(a)(1) through (8) of Title 11 of the Administrative Code, organized under the laws of the United States, New York State, or any other state, must enter as its issuer's allocation percentage the alternative entire net income allocation percentage computed on Form NYC-1, Schedule G, part 2, line 5, rounded to the nearest one hundredth of a percentage point.

A banking corporation, as defined in Section 11-640(a)(2) of Title 11 of the Administrative Code, organized under the laws of a country other than the United States, must enter as its issuer's allocation percentage the percentage determined by dividing gross income within New York City by worldwide gross income rounded to the nearest one hundredth of a percentage point.

A banking corporation, as defined in Section 11-640(a)(9) of Title 11 of the Administrative Code, or a bank holding company which is included in a combined return under the Banking Corporation Tax Law must enter as its issuer's allocation percentage the percentage determined by dividing business and subsidiary capital allocated to New York City by total worldwide capital rounded to the nearest one hundredth of a percentage point.

**SCHEDULE B****Computation and Allocation of Entire Net Income****LINE 1 - FEDERAL TAXABLE INCOME**

Enter federal taxable income before net operating loss and special deductions.

Federal S corporation taxpayers subject to the Bank Tax must complete form NYC-ATT-S-CORP, calculation of Federal Taxable Income for S corporations and include it with their Form NYC-1.

NOTE: The charitable contribution deduction from federal Form 1120S, Schedule K, line 12a may not exceed 10% of the sum of lines 1 through 12d (other than line 12a) of Schedule K.

Corporations filing federal returns on a consolidated basis enter the federal taxable income (before net operating loss and special deductions) that would have been reported if a separate federal return had been filed.

Attach a copy of the consolidated federal return with spreadsheets or work papers supporting the federal consolidated return.

Banking corporations electing under Subchapter S of the Internal Revenue Code must compute a federal taxable income for this purpose as if no S or QSSS election were made. See Ad. Code §11-641(a)(4) or (5).

If you are a captive REIT, enter REIT taxable income as defined in IRC section 857(b)(2), as modified by IRC section 858, plus the amount under IRC section 857(b)(3). If you are a captive RIC, enter investment company taxable income as defined in IRC section 852(b)(2), as modified by IRC section 855, plus the amount taxable under IRC section 852(b)(3).

#### **LINE 2a - DIVIDENDS/INTEREST**

For tax years beginning on or after January 1st, 2015, this line is no longer applicable because alien corporations cannot be Subchapter S corporations and are subject to the Business Corporation Tax.

Alien corporations enter dividends and interest on any kind of stock, securities or indebtedness which are effectively connected with the conduct of a trade or business in the U.S. pursuant to Section 864 of the IRC, but which are excluded from federal taxable income, and any other income not included on line 1 which would be treated as effectively connected with the conduct of a trade or business in the U.S. pursuant to Section 864 of the IRC were it not excluded from gross income pursuant to Section 103(a) of the IRC.

#### **LINE 2b - OTHER INCOME**

For tax years beginning on or after January 1st, 2015, this line is no longer applicable because alien corporations cannot be Subchapter S corporations and are subject to the Business Corporation Tax.

Alien corporations enter any other income not included on line 1 or line 2a which is effectively connected with the conduct of a trade or business in the U.S. pursuant to Section 864 of the IRC, but which is exempt from federal income tax under any treaty obligation of the U.S.

#### **LINES 3a AND 3b - NONTAXABLE DIVIDENDS/INTEREST**

Corporations organized under the laws of the U.S. or any of its states enter on line 3a dividends (including IRC Section 78 gross-up dividends) and on line 3b interest on any kind of stock, securities or indebtedness which was excluded from federal taxable income. Include all interest on state and municipal bonds and obligations of the U.S. and its instrumentalities.

#### **LINE 5 - INCOME TAXES**

Enter any taxes on or measured by income or profit paid or accrued to the United States, any of its possessions or any foreign country, which were deducted in computing federal taxable

income on line 1.

#### **LINE 6 - NYS FRANCHISE TAX**

Enter all New York State franchise taxes imposed under Articles 9, 9-A, 13-A and 32 which were deducted in computing federal taxable income. Include the New York State Metropolitan Transportation Business Tax surcharge and the MTA Payroll Tax (New York State Tax Law, Art. 23).

#### **LINE 7 - NYC CORPORATION TAX**

Enter all taxes imposed under the City Corporation Tax Law (Subchapters 2, 3 and 3-A, Chapter 6 of Title 11 of the Administrative Code) deducted in computing federal taxable income.

#### **LINE 8 - FEDERAL DEPRECIATION ADJUSTMENT**

Enter total amount of federal depreciation adjustment from Forms NYC-399 and NYC-399Z, Schedule C, column A, line 8.

#### **LINE 9 - SAFE HARBOR LEASES**

Enter any amount claimed as a deduction in computing federal taxable income solely as a result of an election made pursuant to the provision of IRC Section 168(f)(8) (relating to Safe Harbor Leases) as it was in effect for agreements entered into prior to January 1, 1984.

#### **LINE 10**

Enter any amount which the taxpayer would have been required to include in the computation of its federal taxable income had it not made the election permitted pursuant to the provisions of IRC Section 168(f)(8) (relating to Safe Harbor Leases) as it was in effect for agreements entered into prior to January 1, 1984.

#### **LINE 11**

Enter any amount claimed as a deduction in computing federal taxable income previously allowed as a deduction under Title 11, Chapter 6, Subchapter 3, Parts 1 and 2 of the Administrative Code.

#### **LINE 12**

A taxpayer that makes an adjustment to federal taxable income on line 26 must add any income the IBF received from foreign branches of the taxpayer which is included on line 5 of Schedule F that is not included in federal taxable income.

For tax years beginning on or after August 1, 2002, corporations that are partners in partnerships that receive at least eighty percent of their gross receipts from providing mobile telecommunications services must exclude their distributive share of income and gains from any such partnership, including their share of separately reported items, from their federal taxable income reported on line 1.

Add back payments for the use of intangibles made to related members as required by Ad. Code section 11-641(q). See "Royalty Payments to

Related Members," above.

With respect to property placed in service in taxable years beginning before January 1, 1981, taxpayers using a different adjusted basis, or a different method of depreciation, for City tax purposes than for federal tax purposes must make appropriate additions to federal taxable income. Attach a schedule showing the adjustments. See subdivisions (c) and (j)(2) of Ad. Code section 11-641 for details.

For tax years beginning on or after January 1, 2008, any amounts deducted pursuant to section 199 of the Internal Revenue Code (Income Attributable to Domestic Production Activities) in computing federal income must be added back when computing NYC entire net income. See "Highlights of Recent Tax Law Changes" above.

#### **LINE 14 - OTHER EXPENSES**

Enter expenses not deducted on your federal return which are applicable to income shown on lines 2 and 3.

#### **LINE 15 - NYC DEPRECIATION**

Enter amount of New York City allowable depreciation adjustment from forms NYC-399 and NYC-399Z, Schedule C, column B, line 8.

#### **LINE 16 - INSTALLMENT SALES**

Enter any income or gain from installment sales included in federal taxable income which was previously includable in computing tax under Chapter 6, Subchapter 3, parts 1 and 2.

#### **LINE 17 - DIVIDEND GROSS-UP**

Enter the amount of IRC Section 78 dividend gross-up included at lines 1, 2a, 2b, 3a and 3b.

#### **LINE 18 - SAFE HARBOR LEASES**

Enter any amount included in federal taxable income solely as a result of an election made pursuant to the provisions of IRC Section 168(f)(8) (relating to Safe Harbor Leases) as it was in effect for agreements entered into prior to January 1, 1984.

#### **LINE 19**

Enter any amount which the taxpayer could have excluded from federal taxable income had it not made the election pursuant to IRC Section 168(f)(8) (relating to Safe Harbor Leases) as it was in effect for agreements entered into prior to January 1, 1984.

#### **LINE 20**

Enter the portion of wages and salaries paid or incurred for the taxable year for which a deduction is not allowed pursuant to the provisions of Section 280C of the Internal Revenue Code. Attach Federal Form 5884 or any other applicable federal form.

#### **LINE 21 - FDIC, FSLIC, OR RTC AMOUNT**

Enter any amount of money or other property (whether or not evidenced by a note or other instrument) received from the following: the

Federal Deposit Insurance Corporation (FDIC) or the Resolution Trust Corporation (RTC) under 12 USC section 1823(c); or the Federal Savings and Loan Insurance Corporation (FSLIC) under former section 406(f)(1), (2), (3), or (4) of the Federal National Housing Act, as amended, before its repeal.

#### **LINE 22 - INTEREST INCOME FROM SUBSIDIARY CAPITAL**

Attach a rider showing interest income from subsidiary capital.

“Subsidiary” means a corporation with respect to which more than 50% of the number of shares of stock entitling the holders thereof to vote for the election of directors or trustees is owned by the taxpayer.

“Subsidiary capital” means the total of the investment of the taxpayer in shares of stock of its subsidiaries, and the amount of indebtedness owed to the taxpayer by its subsidiaries, whether or not evidenced by written instrument, on which interest is not claimed and deducted by the subsidiary for purposes of any tax imposed by Subchapter 2 or 3, Chapter 6 of Title 11 of the Administrative Code. Subsidiary capital does not include accounts receivable acquired in the ordinary course of trade or business either for services rendered or for sales of property held primarily for sale to customers. Each item of subsidiary capital must be reduced by any liabilities of the taxpayer (parent) payable by their terms on demand or within one year from the date incurred, other than loans or advances outstanding for more than a year as of any date during the year covered by the report which are attributable to that item of subsidiary capital.

#### **LINE 23 - DIVIDEND INCOME FROM SUBSIDIARY CAPITAL**

Attach a rider showing the names of each subsidiary and the amount of dividend income received from each subsidiary to the extent included in federal taxable income on line 1 and/or line 2b. Deduct from subsidiary dividend income any Section 78 dividends deducted on line 17 which are attributable to dividends from subsidiary capital.

#### **LINE 24 - NET GAINS FROM SUBSIDIARY CAPITAL**

Attach a rider showing the names of each subsidiary and the amount of gains or losses received from each subsidiary to the extent included in federal taxable income on line 1. Subsidiary gains must be offset by subsidiary losses. If subsidiary gains exceed subsidiary losses, the net gain is multiplied by 60%. If subsidiary losses exceed subsidiary gains, enter “0” on line 24.

#### **LINE 25 - INTEREST INCOME**

Attach a rider showing a breakdown of interest income on obligations of New York State, its political subdivisions and obligations of the U.S. The term “obligation” refers to obligations incurred in

the exercise of the borrowing power of New York State or any of its political subdivisions or of the United States. The term “obligation” does not include obligations held for resale in connection with regular trading activities or obligations which guarantee the debt of a third party. The following do not qualify under this provision: guaranteed student loans, industrial development bonds issued pursuant to Article 18-A of the New York State General Municipal Law, FNMA mortgage-backed securities and GNMA mortgage-backed securities.

#### **LINE 26 - IBF ADJUSTMENT**

Enter amount from line 34 of Schedule F if you elected to compute entire net income using the IBF modification method.

#### **LINE 27 - NEW YORK CITY NOL DEDUCTION**

**Note that pursuant to the federal Tax Cuts and Jobs Act of 2017, net operating losses generated during or after 2018 generally may no longer be carried back. These losses may be carried forward indefinitely; however each year’s deduction will be limited to 80% of federal taxable income (without regard to the deduction).**

A net operating loss (NOL) deduction is allowed under the Banking Corporation Tax for NOLs sustained in tax years beginning on or after January 1, 2009 (Ad. Code section 11-641(k-1)).

Enter any New York City NOL carried forward from tax years beginning on or after January 1, 2009. Attach a separate sheet with full details of both federal and New York City NOLs claimed.

The following rules apply:

- (a) No deduction is allowed for a NOL incurred during any tax year beginning before January 1, 2009.
- (b) No deduction is allowed for a NOL incurred during any tax year in which the corporation was not subject to tax under the Banking Corporation Tax.
- (c) IRC section 172 federal losses must be adjusted to reflect the inclusions and exclusions from ENI required by the provisions of Ad. Code section 11-641 (other than the NOL deduction provision).
- (d) For tax years beginning on or before to December 31, 2017, the New York City NOL deduction was computed as if the corporation elected under IRC section 172 to relinquish the carryback provisions.
- (e) The New York City NOL deduction may not exceed the allowable deduction for the tax year under IRC section 172. For tax years beginning before January 1, 2010, that amount is

augmented by the excess of the amount allowed as a New York City bad debt deduction over the federal bad debt deduction in each loss year (except to the extent such excess was previously deducted in computing ENI). However, for loss years beginning on or after January 1, 2010, there is no separate New York City bad debt deduction, and, as a result, there no longer is an excess amount with which to augment the deduction under IRC section 172. Amounts from such excess from loss years beginning before January 1, 2010, are not affected. For more information, see “Treatment of Bad Debt Deductions,” above.

- (f) For tax years beginning on or before December 31, 2017, the NOL may be carried forward for 20 years. Losses incurred during taxable years beginning after December 31, 2017, can be carried forward indefinitely for federal purposes.
- (g) Losses incurred during taxable years beginning after December 31, 2017, may not be carried back.
- (h) The deduction for losses incurred during taxable years beginning after December 31, 2017, is limited to 80% of federal taxable income calculated as if the corporation had not made the election pursuant to subchapter S of the IRC (without regard to the deduction).

These rules also apply to any corporation included in a consolidated group for federal purposes, but filing on a separate basis for New York City purposes. Those corporations should compute their NOLs and NOL deductions as if filing on a separate basis for federal income tax purposes.

#### **LINE 28 - OTHER SUBTRACTIONS**

A taxpayer which makes an adjustment to federal taxable income on line 26 must subtract any expenses of the IBF included on line 18 of Schedule F which were paid to foreign branches of the taxpayer and not included in federal taxable income.

For tax years beginning on or after August 1, 2002, corporations that are partners in partnerships that receive at least eighty percent of their gross receipts from providing mobile telecommunications services must exclude their distributive share of losses and deductions from any such partnership, including their share of separately reported items, from their federal taxable income reported on line 1.

With respect to property placed in service in taxable years beginning before January 1, 1981, taxpayers using a different adjusted basis, or a different method of depreciation, for City tax purposes than for federal tax purposes must make appropriate subtractions from federal taxable income. Attach a schedule showing the adjustments. See subdivisions (c) and (j)(2) of Ad. Code section 11-641 for details.



**SCHEDULE C****Computation and Allocation of Alternative Entire Net Income****LINE 1 - ENTIRE NET INCOME**

Entire net income must be the same as that reported on line 30 of Schedule B. Whatever election the taxpayer makes concerning the IBF modification to entire net income applies to the computation of alternative entire net income.

**LINE 2 - INTEREST INCOME FROM SUBSIDIARY CAPITAL**

Enter the amount subtracted on line 22 of Schedule B.

**LINE 3 - DIVIDEND INCOME FROM SUBSIDIARY CAPITAL**

Enter the amount subtracted (or, in the case of a loss, added) on lines 23 and 24 of Schedule B.

**LINE 4 - INTEREST INCOME**

Enter the amount subtracted on line 25 of Schedule B.

**SCHEDULE D****Changes for 2011.**

For tax years beginning on or after January 1, 2011, the law concerning the computation and allocation of taxable assets has been changed. All corporations subject to the Banking Corporation Tax, including corporations organized under the laws of a country other than the United States, must use taxable assets as the alternative basis of tax and must complete Schedule D.

Another change is that, in addition to completing lines 1 through 4 of Schedule D to determine allocated taxable assets, taxpayers also complete lines 5 and 6. Line 5 concerns a corporation's net worth ratio and line 6 concerns the percentage of mortgages included in total assets. Those results are entered on the chart in Schedule D to determine the tax rate to use. The results are then transferred to line 3 of Schedule A.

**Computation and Allocation of Taxable Assets**

A taxpayer 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 FDIC under 12 USC section 1823(i); the RTC under 12 USC section 1823(c)(1), (2), or (3); or the FSLIC under former section 406(f)(5) of the Federal National Housing Act, as amended, before its repeal.

**LINE 1 - AVERAGE VALUE OF TOTAL ASSETS**

Compute the average value of total assets, which includes money or other property received from the FSLIC or FDIC and interbank placements. The average value of total assets is computed on a quarterly basis, or, at the option of the taxpayer, on a more frequent basis, such as monthly, weekly or daily.

Total assets means the average value of those assets which are properly reflected on a balance sheet, the income or expenses of which are prop-

erly reflected (or would have been properly reflected if not fully depreciated or expensed or depreciated or expensed to a nominal amount) in the computation of the taxpayer's alternative entire net income for the taxable year or in the computation of the eligible net income of the taxpayer's IBF for the taxable year.

Real and tangible personal property, such as buildings, land, machinery and equipment, is to be valued at cost. Intangible property, such as loans, investments, coin and currency, is to be valued at book value.

**LINE 2 - FDIC, FSLIC, OR RTC AMOUNT**

Include any amount of money or other property (whether or not evidenced by a note or other instrument) received from or attributable to amounts received from the FDIC or the RTC under 12 USC section 1823(c); or the FSLIC under former section 406(f)(1), (2), (3), or (4) of the Federal National Housing Act, as amended, before its repeal.

**LINE 5 - NET WORTH RATIO**

The term *net worth ratio* means the percentage of net worth to assets on the last day of the tax year. The term *net worth* means the sum of preferred stock, common stock, surplus, capital reserves, undivided profits, mutual capital certificates, reserve for contingencies, reserve for loan losses, and reserve for security losses, minus assets classified loss. The term *assets* means the sum of mortgage loans, nonmortgage loans, repossessed assets, real estate held for development, investment, or resale, cash, deposits, investment securities, fixed assets and other assets (such as financial futures, goodwill, and other intangible assets) minus assets classified loss. In no event shall assets be reduced by reserves for losses.

**LINE 6 - THE PERCENTAGE OF MORTGAGES INCLUDED IN TOTAL ASSETS**

Determine the percentage of mortgages included in total assets by dividing the average of the four quarterly balances of mortgages ending within the tax year by the average of the four quarterly balances of all assets ending within the tax year. Such quarterly balances shall be computed in the same manner as the Report of Condition required for FDIC or FSLIC purposes, whether or not such report is required. The term *mortgages* means loans secured by real property within or outside New York State, participations in and securities collateralized by pools of residential mortgages (whether or not issued or guaranteed by a United States government agency), and loans secured by stock in a cooperative housing corporation.

**SCHEDULE E****Federal Return Information**

If the corporation files as a member of a federal consolidated group, enter the information as it

appears on its proforma federal return. If the corporation files a separate return, enter the information appearing on the federal 1120S filed with the IRS.

**SCHEDULE F****Computation of International Banking Facility Adjusted Eligible Net Income or Loss****INTERNATIONAL BANKING FACILITY (IBF)**

A corporation with an IBF located in New York State may do one of the following:

- deduct from entire net income on Schedule B, line 26, the adjusted eligible net income of the IBF computed on Schedule F, line 34 (*i.e.*, to make the IBF modification). The decision to use the IBF modification for a tax year is made with the filing of the return for the tax year. Check the IBF modification boxes on Schedule F and Schedule G, Part I. You may change your decision to use the IBF modification by filing an amended return for the tax year. A corporation that uses the IBF modification must complete Schedule F, lines 1 through 34; or
- elect not to deduct from entire net income on Schedule B, line 26, the adjusted eligible net income of the IBF (*i.e.*, to use the IBF formula allocation method). The election to use the IBF formula allocation method for a tax year is made with the filing of the return for the tax year. Check the formula allocation method boxes on Schedule F and Schedule G, Part I. You may change your election to use the IBF formula allocation method by filing an amended return for the tax year. A corporation that uses the IBF formula allocation method must complete Schedule F, lines 1 through 18.

A taxpayer must modify federal taxable income to recognize the income and expenses included in the computation of the IBF eligible net income of its New York IBF when such income and expenses are not otherwise included in such federal taxable income or in the other modifications contained in Schedule B.

**SCHEDULE G****Allocation Percentages**

A corporation which is doing business both within and without New York City is entitled to allocate its entire net income, alternative entire net income, taxable assets, and issued capital stock within and without New York City. A corporation which is not doing business without New York City must allocate its entire net income, alternative entire net income, taxable assets, and issued capital stock 100% to New York City. However, a corporation that has an IBF located in New York State may elect, on an annual basis, to reflect the results of its IBF operations in its entire net income allocation percentage and in its alter-

native entire net income allocation percentage.

A corporation which is not doing business without New York City and which has made the IBF allocation method election must allocate taxable assets 100% to New York City.

In determining whether a corporation is doing business without New York City, consideration is given to the same factors used to determine if business is being carried on within New York City. (Refer to "Definition of Doing Business Within New York City" in these instructions.) A corporation which claims to be doing business without New York City must attach a rider describing the activities of the corporation within and without New York City.

Each allocation percentage (except the issued capital stock allocation percentage) is determined by a formula consisting of a payroll factor, a receipts factor and a deposits factor.

The receipts factor shall include only receipts which are included in the computation of alternative entire net income for the taxable year. The deposits and payroll factors shall include only deposits and payroll, the expenses of which are included in the computation of alternative entire net income for the taxable year. Each factor is computed on a cash or accrual basis according to the method of accounting used by the taxpayer for the taxable year in computing its alternative entire net income.

For Schedule G, Part 1, Line 7; Part 2, Line 5; and Part 3, Line 7, if a factor is missing, add the remaining factors and divide by the number of factors present. A factor is missing only if both the numerator (column A) and the denominator (column B) are zero.

The instructions that follow contain general allocation information. Corporations that answered "yes" to both questions at the beginning of Schedule G must follow the instructions under "Weighted Factor Allocation for Certain Banking Corporations," below. Corporations with an IBF located in New York State must also follow the instructions noted under "Allocation Percentage for Taxpayers with an IBF located in New York State," below.

#### **PAYROLL FACTOR**

The percentage of a corporation's payroll allocated to New York City is determined by dividing 80% (100% when computing the alternative entire net income allocation percentage) of the wages, salaries and other personal service compensation of the corporation's employees, except general executive officers, within New York City during the period the corporation is entitled to allocate by the total amount of wages, salaries and other personal service compensation of the corporation's employees, except general execu-

tive officers, both within and without New York City during the period the corporation is entitled to allocate.

The term "employees" includes every individual, except general executive officers, where the relationship existing between the corporation and the individual is that of employer and employee. The phrase "employees within New York City" includes all employees regularly connected with or working out of an office of the corporation within New York City, irrespective of where the services of such employees were performed.

The phrase "general executive officer" includes every officer of the corporation charged with and performing general executive duties of the corporation who is elected by the shareholders, elected or appointed by the board of directors, or whose appointment, if initially made by another officer, is ratified by the board of directors. A general executive officer must have company-wide authority with respect to his assigned functions or duties or must be responsible for an entire division of the company.

#### **RECEIPTS FACTOR**

The percentage of the taxpayer's receipts allocated to New York City is determined by dividing 100% of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan) and financing leases and all other business receipts earned within New York City during the period the taxpayer is entitled to allocate by the total amount of the taxpayer's receipts from loans (including the taxpayer's portion of a participation in a loan) and financing leases and all other business receipts within and without New York City during the period the taxpayer is entitled to allocate.

#### **INTEREST INCOME FROM LOANS AND FINANCING LEASES**

Interest income from loans and financing leases is allocated to New York City if such income is attributable to a loan or financing lease which is located in New York City. Interest income from a loan or financing lease does not include repayments of principal. A loan or financing lease is located where the greater portion of income-producing activity relating to the loan or financing lease occurred. Except for a production credit association and a corporation described on page 4 of these instructions under "Who Must File," item D, a loan or financing lease attributed by the taxpayer to a branch without New York City shall be presumed to be properly so attributed, provided that such presumption may be rebutted if the Department of Finance demonstrates that the greater portion of income-producing activity related to the loan or financing lease did not occur at such branch. In the case of a loan or financing lease which is recorded on the books of a place of business without New York City which is not a

branch, it shall be presumed that the greater portion of income-producing activity related to such loan or financing lease occurred within New York City if the taxpayer had a branch within New York City at the time the loan or financing lease was made. The taxpayer may rebut such presumption by demonstrating that the greater portion of income-producing activity related to the loan or financing lease did not occur within New York City.

In the case of a production credit association and a corporation described in "Who Must File," item D, a loan or financing lease attributed by the taxpayer to a bona fide office without New York City shall be presumed to be properly so attributed, provided that such presumption may be rebutted if the Department of Finance demonstrates that the greater portion of income-producing activity related to the loan or financing lease did not occur without New York City.

Income-producing activity includes such activities as, solicitation, investigation, negotiation, approval and administration of the loan or financing lease. A loan or financing lease is made when such loan or financing lease is approved. The term "loan" means any loan, whether the transaction is represented by a promissory note, security, acknowledgment of advance, due bill or any other form of credit transaction, if the related asset is properly recorded in the financial accounts of the taxpayer. Loans include the taxpayer's portion of a participation in a loan. The term "financing lease" means a lease where the taxpayer is not treated as the owner of the property for purpose of computing alternative entire net income.

#### **OTHER INCOME FROM LOANS AND FINANCING LEASES**

Other income from loans and financing leases includes, but is not limited to, arrangement fees, commitment fees and management fees, but does not include repayments of principal. Other income from loans and financing leases is allocated to New York City when the greater portion of income-producing activity relating to such income is within New York City.

#### **LEASE TRANSACTIONS AND RENTS**

Receipts from real property and tangible personal property leased or rented from the corporation are allocated to New York City if such property is located in New York City. Receipts from rentals include all amounts received by the corporation for the use of or occupation of property, whether or not such property is owned by the taxpayer. Gross receipts received from real property and tangible personal property which is subleased must be included in the receipts factor.

#### **INTEREST FROM BANK, CREDIT, TRAVEL, ENTERTAINMENT & OTHER CARD RECEIVABLES**

Interest, fees in the nature of interest, and penal-

ties in the nature of interest from bank, credit, travel, entertainment and other card receivables are allocated to New York City if the mailing address of the cardholder in the records of the taxpayer is in New York City.

#### **SERVICE CHARGES & FEES FROM BANK, CREDIT, TRAVEL, ENTERTAINMENT AND OTHER CARDS**

Service charges and fees from bank, credit, travel, entertainment and other cards are allocated to New York City if the mailing address of the cardholder in the records of the taxpayer is in New York City.

#### **RECEIPTS FROM MERCHANT DISCOUNTS**

Receipts from merchant discounts are allocated to New York City if the merchant is located within New York City. In the case of a merchant with locations both within and without New York City, only receipts from merchant discounts attributable to sales made from locations within New York City are allocated to New York City. It shall be presumed that the location of the merchant is the address of the merchant shown on the invoice submitted by the merchant.

#### **INCOME FROM TRADING ACTIVITIES AND INVESTMENT ACTIVITIES**

The portion of total net gains and other income from trading activities (including but not limited to foreign exchange, options and financial futures) and investment activities which is attributed within New York City shall be ascertained by multiplying such total net gains and other income by a fraction the numerator of which is the average value of trading assets and investment assets attributed to New York City and the denominator of which is the average value of all trading and investment assets. A trading asset or investment asset is attributed to New York City if the greater portion of income-producing activity related to the trading asset or investment asset occurred within New York City.

#### **FEES OR CHARGES FROM LETTERS OF CREDIT, TRAVELER'S CHECKS AND MONEY ORDERS**

Fees or charges from the issuance of letters of credit, traveler's checks, and money orders are allocated to New York City if such letters of credit, traveler's checks, or money orders are issued within New York City.

#### **PERFORMANCE OF SERVICES**

Receipts from services performed by the taxpayer's employees regularly connected with or working out of a New York City office of the taxpayer are allocated to New York City if such services are performed within New York City.

When allocating receipts from services performed, it is immaterial where such receipts are

payable or where they are actually received.

Where services are performed both within and without New York City, the portion of the receipts attributable to services performed within New York City is determined on the basis of the relative value of, or amount of time spent in performance of, such services within New York City, or by some other reasonable method. Full details must be submitted with the taxpayer's return.

Receipts from management, administration or distribution services provided to a regulated investment company (RIC) must be allocated based upon the percentage of the RIC's shareholders domiciled in New York City. (Attach rider showing computation.) See Ad. Code §11-642(a)(2)(G) added by Ch. 63, Laws of 2000, Part AA, §7.

#### **ROYALTIES**

Receipts of royalties from the use of patents, copyrights and trademarks are allocated to New York City if the taxpayer's actual seat of management or control is located in New York City. Royalties include all amounts received by the taxpayer for the use of patents, copyrights or trademarks, whether or not such patents, copyrights or trademarks were issued to the taxpayer. 19RCNY§3-04(f)(8).

#### **ALL OTHER BUSINESS RECEIPTS**

Income from securities used to maintain reserves against deposits to meet federal and State reserve requirements shall be allocated to New York City based upon the ratio that total deposits in New York City bear to total deposits everywhere. All other business receipts earned by the taxpayer in New York City are allocated to New York City. A receipt from the sale of a capital asset is not a business receipt and is not included in the receipts factor.

#### **DEPOSITS FACTOR**

The percentage of the taxpayer's deposits allocated to New York City is determined by dividing the average value of deposits maintained at branches of the taxpayer within New York City during the period the taxpayer is entitled to allocate by the average value of all deposits maintained at branches of the taxpayer both within and without New York City during the period the taxpayer is entitled to allocate.

The term "deposit" means:

- the unpaid balance of money or its equivalent received or held by a bank in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certi-

fied by the bank, or a letter of credit or a traveler's check on which the bank is primarily liable; provided that, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts or other instruments forwarded to such bank for collection;

- trust funds received or held by such bank, whether held in the trust department or held or deposited in any other department of such bank;
- money received or held by a bank, or the credit given for money or its equivalent received or held by a bank, in the usual course of business for a special or specific purpose, regardless of the legal relationship thereby established, including, without being limited to, escrow funds, funds held as security for an obligation due to the bank or others (including funds held as dealers' reserves) or for securities loaned by the bank, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States Government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes; provided that there shall not be included funds which are received by the bank for immediate application to the reduction of an indebtedness to the receiving bank, or under condition that the receipt thereof immediately reduces or extinguishes such an indebtedness; and
- outstanding drafts (including advice or authorization to charge a bank's balance in another bank), cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the bank itself.

The term "maintained" refers to the branch of the taxpayer at which a deposit is properly booked.

A deposit, the value of which at all times during the taxable year was less than \$100,000, that is booked by a taxpayer at a branch without New York City is presumed to be properly booked, provided that such presumption may be rebutted if the Department of Finance demonstrates that the greater portion of contact relating to the deposit did not occur at such branch. Where such presumption has been rebutted by the Department of Finance, the deposit shall be presumed to be maintained within New York City if the taxpayer had a branch within New York City at

the time the deposit was booked. However, the taxpayer may rebut such presumption by demonstrating that the greater portion of contact relating to the deposit did occur at a branch outside New York City. A deposit, the value of which at any time during the taxable year was \$100,000 or more, is considered to be properly booked at the branch with which it has a greater portion of contact.

In determining whether a deposit has a greater portion of contact with a particular branch, consideration is given to such activities as:

- whether the deposit account was opened at or transferred to that branch by or at the direction of the depositor or by a broker of deposits, regardless of where subsequent deposits or withdrawals may be made;
- whether employees regularly connected with that branch are primarily responsible for servicing the depositor's general banking and other financial needs;
- whether the deposit was solicited by an employee regularly connected with that branch, regardless of where such deposit was actually solicited;
- whether the terms governing the deposit were negotiated by employees regularly connected with that branch, regardless of where the negotiations were actually conducted; and
- whether essential records relating to the deposit are kept at that branch and whether the deposit is serviced at that branch.

The value of deposits maintained at branches of the taxpayer is the total of the amounts credited to depositors, including the amount of any interest so credited. The average value of deposits is to be computed on a daily basis. However, if the taxpayer's usual accounting practices do not permit the computation of average value on a daily basis, a computation on a weekly basis will be permitted. The Department of Finance will not permit the computation of average value of deposits on a basis less frequent than weekly, unless the taxpayer demonstrates that requiring it to use a weekly computation would produce an undue hardship.

**ALLOCATION FOR CERTAIN BANKING CORPORATIONS**

For tax years beginning after 2017, 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 the Administrative Code section 11-640(a)(9), and that substantially provide management, administrative, or distribution services to an investment company must make adjustments on Schedule G as described below:

**Adjustments to Part 1 of Schedule G**

- Certain banking corporations as described above only complete lines 2a-2m

- Enter the amount on line 2m on line 7 and also on Schedule B next to line 31, and on Schedule A, line 26.

**Adjustments to Part 3 of Schedule G**

- Certain banking corporations as described above only complete lines 2a-2m
- Enter the amount on line 2m on line 7, and on Schedule D next to line 4.

**ALLOCATION PERCENTAGE FOR TAXPAYERS WITH AN IBF LOCATED IN NEW YORK STATE**

A corporation with an IBF located in New York State which *has not elected the IBF allocation method* must, when computing its entire net income allocation percentage and its alternative entire net income allocation percentage:

- exclude from the numerator and denominator of the payroll factor the wages, salaries, and other personal service compensation of employees of the IBF
- exclude from the numerator and denominator of the receipts factor those receipts which are attributable to the production of eligible gross income of the IBF
- exclude from the numerator and denominator of the deposits factor those deposits whose expenses are attributable to the production of eligible gross income of the IBF

A corporation which has an IBF located in New York State and which *has made the IBF allocation method election* must, when computing the entire net income allocation percentage and the alternative entire net income allocation percentage make the following adjustments:

- To properly reflect the allocation percentage for the receipts and deposits factors, corporations must include gross receipts generated from IBF assets placed with offshore facilities in the numerator (deemed New York City receipts) and include in the numerator for deposits liabilities placed with an IBF by the offshore facilities (deemed New York City deposits). See Update on Audit Issues - IBF June 2006.
- Exclude from the numerator of the payroll factor the wages, salaries and other personal service compensation of employees, the expenses of which are attributable to the production of eligible gross income of the IBF. Include in the denominator of the payroll factor the wages, salaries and other personal service compensation of employees, except general executive officers, the expenses of which are attributable to the production of eligible gross income of the IBF.
- Exclude from the numerator but include in the denominator of the receipts factor those

receipts which are attributable to the production of eligible gross income of the IBF.

- Exclude from the numerator but include in the denominator of the deposits factor deposits, the expenses of which are attributable to the production of eligible gross income of the IBF.

Every corporation which has an IBF located in New York State must compute its taxable assets allocation percentage as follows:

- Include in the numerator and denominator of the payroll factor wages, salaries and personal service compensation of employees, except general executive officers, the expenses of which are attributable to the production of eligible gross income of the IBF.
- Include in the numerator and denominator of the receipts factor receipts which are attributable to the production of eligible gross income of the IBF.
- Include in the numerator and denominator of the deposits factor deposits, the expenses of which are attributable to the production of eligible gross income of the IBF.

For the purpose of these adjustments, eligible gross income does not include transactions between the taxpayer's foreign branches and its IBF.

**COMPOSITION OF PREPAYMENTS**

Do not include any UBT Paid Credit carryover from a preceding year.