

# Instructions for Form CR-Q1

Commercial Rent Tax Quarterly Return Applicable for the tax period June 1, 2023 to August 31, 2023, ONLY

## HIGHLIGHTS OF LEGISLATION

- As of June 1, 2018, a “Small Business tax credit” is available for tenants with “small business tax credit base rents” of less than \$500,000, and a phase out applies for rents from \$500,000 to \$550,000. A total income limitation and phase-out applies from \$5,000,000 to \$10,000,000. The “small business tax credit base rent” is the base rent before the 35% rent reduction allowed pursuant to Administrative Code Section 11-704(h)(2). See the Small Business Tax Credit Worksheet and Instructions.
- Effective August 30, 2005, the Commercial Rent Tax reduction program is expanded for those taxpayers who are eligible for the Commercial Revitalization Program benefits to include more buildings and to provide a greater base rent reduction as follows:
  - a. The program is expanded to include buildings south of Canal Street that received their certificate of occupancy after 1975.
  - b. The law provides for a base rent reduction for the first five years of the lease equal to the lesser of the first year’s rent or 100% of the rent paid for the period.
  - c. This expansion is available for leases, but not subleases, having a term of at least five years beginning between 7/1/2005 and 6/30/2027.
  - d. No base rent reduction is allowed under this program for tax periods beginning after 3/31/2030.
  - e. For purposes of applying such special reduction, the base rent for the base year shall, where necessary to determine the amount of the special reduction allowable with respect to any number of months falling within a tax period, be prorated by dividing the base rent for the base year by twelve and multiplying the result by such number of months.
- Effective August 30, 2005, tenants located in the “World Trade Center Area”, as defined are exempt from the tax (*see Page 4 - Exemptions #5*). The World Trade Center is defined as: the area in the borough of Manhattan bounded by Church Street on the east starting at the intersection of Liberty Street and Church Street; running northerly along the center line of Church Street to the intersection of Church Street and Vesey Street; running westerly along the center line of Vesey Street to the intersection of Vesey Street and West Broadway; running northerly along the center line of West Broadway to the intersection of West Broadway and Barclay Street; running westerly along the center line of Barclay Street to the intersection of Barclay Street and Washington Street; running southerly along the center line of Washington Street to the intersection of Washington Street and Vesey Street; running westerly along the center line of Vesey Street to the intersection of Vesey Street and West Street; running southerly along the center line of West Street to the intersection of West Street and Liberty Street; running easterly along the center line of Liberty Street to the intersection of Liberty Street and Washington Street; running southerly along the center line of Washington Street to the intersection of Washington Street and Albany Street; running easterly along the center line of Albany Street to the intersection of Albany Street and Greenwich Street; running northerly along the center line of Greenwich Street to Liberty Street; and running easterly along the center line of Liberty Street to the intersection of Liberty Street and Church Street.
- As of December 1, 2005, the rent paid for premises used for retail sales purposes is exempt from tax (*see Page 3 - Exemptions #6*) where such premises are located in the Commercial Revitalization Program abatement zone, which is the area in the borough of Manhattan bounded by Murray Street on the North starting at the intersection of West Street and Murray Street; running easterly along the center line of Murray Street connecting through City Hall Park with the center line of Frankfort Street and running easterly along the center lines of Frankfort and Dover Streets to the intersection of Dover Street and South Street; running southerly along the center line of South Street to Peter Minit Plaza; connecting through Peter Minit Plaza to the center line of State Street and running northwesterly along the center line of State Street to the intersection of State Street and Battery Place; running westerly along the center line of Battery Place to the intersection of Battery Place and West Street; and running northerly along the center line of West Street to the intersection of West Street and Murray Street. Any tax lot partly located inside this area is deemed to be entirely located inside the area.

**IMPORTANT INFORMATION**

- Form CR-Q has been revised. There is no longer a requirement to sign the form or attach the base rent computation schedules on page 2 or page 3.
- Taxpayers whose annualized base rent before the 35% rent reduction and the NYC Commercial Revitalization Program special reduction is less than \$250,000 are no longer subject to the Commercial Rent Tax. However, a tax return may be required to be filed.
- A tax credit is allowed for taxpayers whose annualized base rent before the 35% rent reduction and the NYC Commercial Revitalization Program special reduction is at least \$250,000, but is less than \$300,000. The tax credit is calculated on page 2, line 16.
- As of June 1, 2018, an additional “Small Business tax credit” is also available for tenants with “small business tax credit base rents” of less than \$500,000, and a phase out applies for rents from \$500,000 to \$550,000. A total income limitation and phase-out applies from \$5,000,000 to \$10,000,000. The “small business tax credit base rent” is the base rent before the 35% rent reduction.
- A tax return is no longer required to be filed with respect to any premises if your annual or annualized gross rent paid is \$200,000 or less and you do not receive over \$200,000 in rent from any subtenant.
- A 35% rent reduction is allowed in computing base rent subject to Commercial Rent Tax.
- The applicable tax rate for each taxable premises is based on the Base Rent Before Rent Reduction and the NYC Commercial Revitalization Program special reduction (lines 7 and 5b, or line 12, if applicable). However, that tax rate is applied to the Base Rent Subject to Tax (line 9) in determining your tax for each taxable premises. If that amount is less than \$62,500, no tax is due. If that amount is at least \$62,500 but less than \$75,000, a tax credit is allowed.
- In computing base rent, rent received from subtenants may be deducted by a prime tenant, regardless of the amount.
- The Commercial Rent Tax has been repealed with respect to rent paid for all premises located north of the center line of 96th Street in Manhattan and the boroughs of the Bronx, Brooklyn, Queens and Staten Island.

**GENERAL INFORMATION****FORMS TO BE USED AND PERIODS COVERED**

Every tenant subject to tax for a period must file a quarterly return (Form CR-Q). Quarterly returns are due for the three-month periods ending on the last days of August, November and February of each tax year and must be filed within 20 days after the end of the period they cover.

Every tenant subject to tax must file an annual return on Form CR-A. Generally, no return is required from taxpayers exempt from tax but taxpayers meeting certain criteria must still file an annual return even though not subject to tax. An annual return is required even though the tenant is not subject to tax because its annualized base rent before the 35% rent reduction and the NYC Commercial Revitalization program special reduction is less than \$250,000 (Refer to Exemptions, below) **if**, with respect to **any premises**: (i) its annual or annualized gross rent is **more** than \$200,000 **or** (ii) it receives **over** \$200,000 in rent from any subtenant. However, an annual return is not required if the tenant is not subject to tax because its annualized base rent before the 35% rent reduction and the NYC Commercial Revitalization special reduction is less than \$250,000 **if**, with respect to **any premises**: (i) its annual or annualized gross rent is \$200,000 or less, **and** (ii) it does **not** receive over \$200,000 in rent from any subtenant.

If a tenant ceases to do business, the tax is due immediately, and the tenant must file a final return for the entire year (Form CR-A) within 20 days from the date the tenant ceases to do business. If the tenant nevertheless continues to pay rent for the taxable premises, in which case the tenant must continue to file returns and pay the tax.

If a tax return or payment is delivered to the Department of Finance by U.S. mail after the due date, the date of the U.S. Postal Service postmark stamped on the envelope will be considered the date of delivery, provided the postmark date falls on or before the due date including any extension and the return was deposited in the mail, postage prepaid and properly addressed. Non-U.S. Postal Service postmarks will also be recognized, provided delivery to the Department of Finance occurs within five days of the postmark date. If the five-day limit is exceeded, the taxpayer must establish: a) the item was actually deposited in the mail by the due date; b) the delay in receipt was due to a delay in the transmission of the mail; and c) the cause of the delay.

If the due date falls on a Saturday, Sunday or legal holiday, the due date is extended to the next succeeding business day.

For late filings of quarterly returns, interest must be paid on the amount of the underpayment from

the due date until the earlier of (1) 20 days after the end of the tax year, or (2) the date as of which the tax paid for the tax year equals 75% of the full tax required to be paid for the tax year. **The interest must only be paid with the annual return.**

**WHO IS A TENANT**

A tenant is a person who pays or is required to pay rent for premises as a lessee, sublessee, licensee or concessionaire. No tax return need be filed if the individual or the business entity is the same individual or entity owning the premises. The tax form should be returned to the Department of Finance stating the owner's name and address, Employer Identification Number or Social Security Number, the address of the property and the block and lot number as shown on the real estate tax bill. Shareholders in cooperative corporations are not considered “owners of record.”

The following situations do not exempt the tenant from tax:

- where a building is owned, not by a tenant but by a spouse or parent of the tenant;
- where a building is owned by the tenant jointly or in common with another person, other than a spouse;
- where a building is owned by a corporation of which the tenant is an officer or holder of all or part of the corporate stock;
- where the tenant is a corporation and the building is owned by a subsidiary corporation or by a parent corporation;
- where the tenant is a corporation and the building is owned by an officer or stockholder of the corporation.

**WHAT CONSTITUTES TAXABLE PREMISES**

Taxable premises are premises used or intended to be used to carry on any trade, business, professional, vocational or commercial activity, including premises used solely for the purpose of renting the same in whole or in part to subtenants. Taxable premises include a specific part of particular space in a warehouse rented for the storage of goods, or in a garage, parking lot or parking area rented for the parking of motor vehicles, in connection with the tenant's conduct of business or professional activity; also included is a safe deposit box or locker or beach cabana if used for business purposes.

**WHAT CONSTITUTES RENT**

Rent is the consideration paid or required to be paid by a tenant for the use or occupancy of premises, valued in money, whether received in money or otherwise, including all credits, property, or services of any kind, as well as any payment required to be made by a tenant on behalf of the landlord for real estate taxes, water and sewer charges, or any other expenses (including insurance) normally

payable by a landlord who owns the realty, other than expenses for the improvement, repair or maintenance of the tenant's premises.

Where the rent paid by a tenant for the occupancy of taxable premises is measured in whole or in part by the gross receipts from the sales within the premises, the rent, for purposes of computing the Commercial Rent Tax is the actual percentage of gross receipts due the landlord, but not in excess of 15% of gross receipts.

Tenant shareholders in cooperative buildings should calculate the amount of rent subject to tax as provided in Section 7-01 "Rent" of the Commercial Rent Tax Rules. (Title 19, Rules of the City of New York, Chapter 7) If a tenant uses two or more taxable locations in the same building at the same time, the total rent paid for all such locations constitutes rent paid for one taxable premises.

**WHAT CONSTITUTES BASE RENT**

Base rent is generally the rent paid for each taxable premises by a tenant to the landlord for a period, less the amounts received by or due such tenant for the same period from any subtenant of any part of the premises. (See instructions to line 4, Rent from Sub-tenant(s)).

Where the base rent is for a period of less than one year it must be annualized. Base rent is annualized by assuming it was paid on an equivalent basis for the entire year.

In computing base rent, rent received from a subtenant subject to the tax or exempt from the tax because the subtenant's annualized base rent is less than \$250,000 for a period beginning on or after June 1, 2001, and rent received from a subtenant that is a governmental entity, the UN, or a nonprofit religious, charitable or educational entity exempt from the tax may be deducted by a prime tenant.

**NOTE:** Base rent paid by a tenant for one taxable premise cannot be reduced by deducting rents received by that tenant for another taxable premise of which he is also a tenant.

A tenant is also entitled to deduct from the base rent amounts paid by the tenant for the tenant's own use of the premises:

- a) for railroad, air, or omnibus transportation purposes;
- b) for piers, insofar as they are used in interstate or foreign commerce;
- c) which are located in, on, above, or under a public place and are defined by law as special franchise property;
- d) which are advertising space or signs, vending machines, or newsstands in subway or elevated railroad premises operated by the New York

City Transit Authority when the rent is payable to the Transit Authority; or

- e) which is parking space subject to the additional 8% parking tax imposed under Administrative Code Section 11-2049.

**NOTE:** Report these deductions on line 5a - Other Deductions and attach a schedule.

For a more detailed discussion of deductions in calculating base rent refer to Section 11-704 of the NYC Administrative Code and Section 7-01 "Base Rent" of the Commercial Rent Tax Rules. (Title 19, Rules of the City of New York, Chapter 7.)

**EXEMPTIONS**

The following are exempt from payment of the Commercial Rent Tax:

- 1. a tenant whose annualized base rent before the 35% rent reduction and the NYC Commercial Revitalization Program special reduction (line 5b) is less than \$250,000 for a period beginning on or after June 1, 2001. The annualized base rent for a period of less than one year is determined as if the rent had been paid on an equivalent basis for an entire year;
- 2. a tenant who uses premises for 14 days or less (whether or not consecutive) in a tax year, and is not required to pay rent for a longer period;
- 3. a tenant (other than the operator of a hotel, apartment hotel or lodging house) who uses premises for residential renting to others to the extent of 75% or more of the rentable floor space;
- 4. a tenant who uses premises for certain dramatic or musical arts performances for less than 4 weeks where the performances are not intended to continue for less than 4 weeks. A tenant who uses taxable premises for the production and performance of a theatrical work is exempt from the tax with respect to the rent paid for the taxable premises for a period not exceeding 52 weeks from the date production commenced. For purposes of this exemption, production will be considered to commence on the date public performances begin;
- 5. beginning August 30, 2005, tenants in the World Trade Center Area, as defined in section 11-704(6) of the NYC Ad. Code. See "Highlights of Legislation";
- 6. beginning December 1, 2005, premises used for retail sales purposes in the Commercial Revitalization Program abatement zone. See "Highlights of Legislation" and Administrative Code §11-704(c)(9). Premises used for retail purposes are premises used for the selling of tangible goods directly to the ultimate consumer. Administrative Code §11-701(c)(20). In general, restaurants and bars do not qualify for this exemption; and

- 7. various governmental bodies, the U.N., and nonprofit religious, charitable and educational organizations. Other nonprofit organizations may be exempt from the tax. For more information, see Sections 7-04 through 7-06 of the Commercial Rent Tax Rules. (Title 19, Rules of the City of New York, Chapter 7)

**COMBINED BUSINESS/RESIDENTIAL USE**

Where a tenant pays an undivided rent for a premises used both for residential and business purposes, the tax applies to that part of the rent that is attributable to the part of the premises used for business purposes. In such a case, the rent attributable to business use is the amount which the tenant deducts as rent for the premises for federal income tax purposes.

**WHEN AND WHERE TO FILE**

**File your return within 20 days after the end of the period covered by this return.** Interest will be assessed after the filing of the annual return if this quarterly return is filed late. The return should be mailed to:

**NYC Department of Finance  
P.O. Box 3931  
New York, NY 10008-3931**

**ELECTRONIC FILING**

Note: Register for electronic filing. It is an easy, secure and convenient way to file and pay taxes on-line. For more information log on to [nyc.gov/eservices](http://nyc.gov/eservices)

**HOW TO COMPLETE YOUR QUARTERLY FORM**

- Complete this return by beginning on page 2. Use worksheets on page 3, as applicable.
- Complete the entire schedule for each premises.
- After completing page 2 and all applicable worksheets on page 3, complete page 1.

**USE THIS PAGE IF YOU HAVE THREE OR LESS PREMISES/SUBTENANTS OR, MAKE COPIES OF THIS PAGE TO REPORT ADDITIONAL PREMISES/SUBTENANTS. IF YOU WISH TO REPORT MORE THAN THREE PREMISES/SUBTENANTS, AND CHOOSE TO USE A SPREADSHEET, YOU MUST USE THE CRQ FINANCE SUPPLEMENTAL SPREADSHEET, WHICH YOU CAN DOWNLOAD FROM OUR WEBSITE AT [WWW.NYC.GOV/CRTINFO](http://WWW.NYC.GOV/CRTINFO).**

**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**

### **PAGE 2 - Computation of Base Rent**

**For purposes of completing this form round off cents to the nearest whole dollar.**

#### **LINE 1 - TAXABLE PREMISES**

Enter address, zip code and block and lot number of each taxable premises where the annualized gross rent exceeds \$200,000. To find the block and lot number corresponding to the taxable premises, log on to the Department of Finance website at [www.nyc.gov/finance](http://www.nyc.gov/finance) and mouse over the Real Estate Tax (blue bar) drop down menu, click on "Assessment Roll" and click on "Search by Address". Alternatively, the block and lot number can be obtained from your landlord or managing agent. If you have more than three such premises, make copies of page 2 or attach the CRQ Finance Supplemental Spreadsheet available on the Department's website at [www.nyc.gov/crtinfo](http://www.nyc.gov/crtinfo). Make sure the copies or the schedule bear the taxpayer's name, address, period covered by the return, Account ID Number, and Employer Identification Number or Social Security Number.

#### **LINE 2 - GROSS RENT PAID**

Determine amount of gross rent paid for each premises and enter on this line (Refer to "What Constitutes Rent", page 2.) If you occupy more than one location within the same premises, the gross rent paid is considered the total of all rents paid in those premises. If your gross rent is based on a percentage of sales receipts, exclude the excess of 15% of those receipts. If you rent an entire apartment, hotel suite, or other accommodation that you use or occupy for commercial activities and claim as a business deduction, the full amount of the rent must be

entered. If you pay a single rent to one lessor for two or more taxable premises, see section 7-01 "Allocation of single rent for two or more taxable premises" of the Commercial Rent Tax Rules (Title 19, Rules of the City of New York, Chapter 7) for the method to be used to allocate rent among the taxable premises.

#### **LINE 3 - RESIDENTIAL RENT**

If you use your home for business and residential purposes, enter here the amount of the rent attributable to residential use only. It is presumed that the amount you claimed as a business deduction for rent on your federal income tax return is the amount of rent attributable to business use of the premises.

#### **LINE 4 - RENT FROM SUBTENANT(S)**

Enter here amounts paid or due to you as rent from any subtenant. In computing base rent, rent received from a subtenant subject to the tax or not subject to tax because its annualized base rent is less than \$250,000 for a period beginning on or after June 1, 2001, and rent received from a subtenant that is a governmental entity, the UN, or a nonprofit religious, charitable or educational entity exempt from the tax, may be deducted by a prime tenant.

Also enter the subtenant's name, Employer Identification Number (for corporations or partnerships) or Social Security Number (if a sole proprietorship). Note that such rents may be deducted only from the gross rent of the premises which the subtenant occupies and may not be applied against any other premises rented by the taxpayer.

If you have more than one subtenant, make copies of page 2 or attach the CRQ Finance Supplemental Spreadsheet.

In entering amounts paid by subtenants whose rent is based on a percentage of sales receipts, exclude the amount in excess of 15% of those receipts.

Amounts received by a garage or parking lot operator for allowing the parking of a vehicle anywhere on his premises is not deductible unless:

- a particular space has been permanently assigned for the exclusive use of the tenant; and
- the vehicle is used for commercial purposes by the tenant; and
- a completed Certificate of Assigned Space Use has been taken from the tenant.

#### **LINE 5a - OTHER DEDUCTIONS**

Enter here any amounts included in gross rent allowable as deductions for eligible taxpayers and detail such deductions on an attached schedule.

#### **LINE 5b - COMMERCIAL REVITALIZATION PROGRAM SPECIAL REDUCTION (SEE HIGHLIGHTS OF LEGISLATION)**

The NYC Commercial Revitalization Program provides both Real Estate Tax and Commercial Rent Tax benefits with respect to qualifying leases of

premises in the Title 4 abatement zone, defined generally as the area in Manhattan bounded by Murray Street and Frankfort Street on the north, and South Street, Battery Place and West Street on the east, south and west, respectively. Effective for qualifying leases commencing between July 1, 2005 and June 30, 2027, the premises can be in eligible buildings located south of Canal Street. Leases must be new, renewal or expansion leases with lease commencement dates beginning on or after April 1, 1997 and must meet minimum lease term and expenditure requirements. Expanded benefits are available for qualifying leases commencing between July 1, 2005 and June 30, 2027.

Under the original program, for leases with an initial lease term of at least three years but less than five years, the special reduction is available for up to 36 months. The reduction for the base year, i.e., the twelve month period commencing on the rent commencement date, is equal to the base rent. The special reduction for the two twelve month periods following the base year is equal to 2/3 and 1/3, respectively, of the lesser of the base rent for that 12 month period or the base rent for the base year. Where the lease is at least five years long, the special reduction is available for up to sixty months with a similar decrease for the last two twelve month periods of that period. See Administrative Code §11-704.i.2.(b) and (b-1). For qualifying leases (which do not include subleases) with an initial or renewal lease term of at least five years, commencing between July 1, 2005 and June 30, 2027, the special reduction for the base year is equal to the base rent and for all other 12 month periods is equal to the lesser of the base rent for such twelve-month period or the base rent for the base year. See Administrative Code §11-704.i.2.(b-2), as amended.

The application for the special reduction under Ad. Code §11-704.i.2.(b-2) must be filed with the Department of Finance within 180 days from the rent commencement date. Administrative Code §11-704.i.5.(a)(iii).

For more information concerning eligibility requirements under the NYC Commercial Revitalization Program, please e-mail:

[nyc.gov/contactfinance](mailto:nyc.gov/contactfinance)

#### **SPECIAL NOTE FOR ELIGIBLE TAXPAYERS**

The amount of the special reduction available to eligible taxpayers under the NYC Commercial Revitalization Program (line 5b) IS NOT taken into account and must be added to the line 7 amount for the following purposes:

- annualizing the base rent (lines 10-12),
- determining whether the taxpayer is exempt because its annualized base rent is below \$250,000 for periods beginning on or after June 1, 2001 (see "EXEMPTIONS" on page 2 of these instructions),

- determining the amount of credit available (line 16), and
- determining the applicable tax rate. However, once the applicable rate is determined, enter the amount on line 9 (after the special reduction) on line 13 or 14, whichever is applicable.

**LINE 6 - TOTAL DEDUCTIONS**

Add lines 3 through 5b and enter the total deductions in line 6.

**LINE 7 - BASE RENT BEFORE THE 35% RENT REDUCTION**

Subtract line 6 from line 2 to obtain the amount of your base rent before the 35% rent reduction.

**LINE 8 - 35% RENT REDUCTION**

Multiply line 7 by 35% and enter here.

**LINE 9 - BASE RENT SUBJECT TO TAX**

Subtract line 8 from line 7 to obtain the amount of your base rent subject to tax.

**Note:** See highlighted NOTE under line 9, Page 2 of the tax form.

**ANNUALIZATION OF BASE RENT**

Complete lines 10 through 12 **only** if the amount shown on line 7 does not represent rent paid for the full three-month period.

**SPECIAL INSTRUCTIONS FOR TENANTS WHO PAY RENT FOR A PERIOD OTHER THAN ONE MONTH.**

If you do not pay rent on a monthly basis, check the box on line 10 on page 2. If filing using the Finance supplemental spreadsheet, select “Yes” from the drop-down box on line 10 if your rent is not paid on a monthly basis. Do not complete lines 10a and 11 on page 2. To determine the Quarterly Base Rent before reduction, use the worksheet on the bottom of Page 3. Enter the Premises Number from Page 2 for which rent is not paid on a monthly basis at the top of the column. Complete the worksheet and enter the result from line 5 of this worksheet on line 12 of Page 2 in the appropriate column. If the amount on line 12 is \$62,499 or less transfer the amount on line 9 to line 13. If the amount on line 12 is \$62,500 or more, transfer the amount on line 9 to line 14. Include these amounts in the totals on page 1, lines 1 and 2, respectively. Skip to the instructions for line 15. For those premises for which you pay rent on a monthly basis, continue with the instructions below.

**LINE 10a - MONTHS AT PREMISES**

Enter the dates (month and year) that occupancy or use of such premises began and ended. Compute the number of months occupied or used to the nearest full month and enter.

**LINE 11 - MONTHLY BASE RENT BEFORE RENT REDUCTION**

Divide the sum of lines 7 and 5b by line 10a to ar-

rive at the average monthly base rent, before rent reduction.

**LINE 12 - QUARTERLY BASE RENT**

Multiply line 11 by 3 (months). This is your quarterly base rent, before rent reduction.

**LINES 13 AND 14 - RATE CLASS**

- If lines 10a through 12 are **not** applicable, and if the sum of lines 7 and 5b is \$62,499 or less and represents rent for the full three-month period, transfer the amount on line 9 (**not the amount on line 7**) to line 13. If the sum of lines 7 and 5b is \$62,500 or more and represents rent for the full three-month period, transfer the amount on line 9 (**not the amount on line 7**) to line 14.
- If lines 10a through 12 **are** applicable, and if the line 12 amount is \$62,499 or less, transfer the amount on line 9 (**not the amount on line 12**) to line 13. If the line 12 amount is \$62,500 or more, transfer the amount on line 9 (**not the amount on line 12**) to line 14.
- Transfer the totals of lines 13 and 14 to lines 1 and 2 respectively, page 1 of the form.

**LINE 15 - TAX DUE BEFORE CREDIT**

Multiply line 14 amounts by 6% and enter the result on line 15. This is your tax due before the tax credit. The total of line 15 should equal the amount calculated as tax due on page 1, line 2 of the form.

**LINE 16 - TAX CREDIT**

Compute your tax credit using the Tax Credit Computation Worksheet provided at the bottom of page 2 of the form and enter the result on line 16. Transfer the total of line 16 to page 1, line 3 of the form.

**LINE 17 - SMALL BUSINESS TAX CREDIT**

Use the worksheet on page 3 of the form to calculate the Small Business Tax Credit. Transfer the total of line 17 to page 1, line 4 of the form.

**SMALL BUSINESS TAX CREDIT WORKSHEET INSTRUCTIONS**

Beginning on June 1, 2018, taxpayers may claim the Small Business Tax Credit. The credit effectively exempts tenants with “Total Income” as defined below of \$5,000,000 or less AND annual “Base Rent Before Rent Reduction” of less than \$500,000 from the Commercial Rent Tax. Other taxpayers with “Total Income” of more than \$5,000,000 but less than \$10,000,000 and annual “Base Rent Before Rent Reduction” of less than \$550,000 receive a sliding scale credit against the tax. Taxpayers with “Total Income” equal to or more than \$10,000,000 OR annual “Base Rent Before Rent Reduction” equal to or more than \$550,000 are not eligible for this credit. Taxpayers with multiple premises and “Total Income” of less than \$10,000,000 may be eligible for this credit with respect to some of their premises while ineli-

gible with respect to others.

“Base Rent Before Rent Reduction” means the base rent before the 35% rent reduction on Page 2, line 7.

**LINE INSTRUCTIONS**

**Line A.**

To qualify for the credit, you must check “Yes” to both questions A and B on the Small Business Tax Credit worksheet.

“Total income” is defined by section 11-704.4 of the Administrative Code to mean the amount reported to the Internal Revenue Service for federal income tax purposes in the tax year immediately preceding the period for which the tenant is applying for this credit that is equal to the gross receipts or sales of the individual, trust, estate, partnership, association, company or corporation minus returns and allowances, minus the cost of goods plus the amount of any dividends, interest, gross rents, gross royalties, capital gain net income, net gain or loss from the sale of business property, net farm profit or loss, ordinary income or loss from other partnerships, estates or trusts or other income or loss.

**Example:** Corporation A which is engaged in running a hardware store rents premises for which it would like to claim a small business tax credit for the tax period beginning June 1, 2022 and ending May 31, 2023. It files its federal tax return on Form 1120 on a fiscal year basis ending on June 30th. In order to be eligible for the small business tax credit, the amount of its total income on line 11 of its Federal Tax return filed on Form 1120 for 2020 must be less than \$10 million.

**Income Factor Calculations**

**Complete either lines 1a and 1b OR lines 2a and 2b.**

- Line 1a: If your total income is \$5,000,000 or less, enter the amount here.
- Line 1b: Your Income Factor is 1.
- Line 2a: If your total income is more than \$5,000,000 but less than \$10,000,000, enter the amount here.
- Line 2b: Calculate your Income Factor by subtracting the amount you have entered on line 2a from \$10,000,000 and dividing the difference by 5,000,000. Your Income Factor will be a decimal value greater than zero and less than one. Calculate the Income Factor to two decimal places.

**Example:**

$$\begin{aligned} \text{Total income} &= \$8,000,000 \\ (10,000,000 - 8,000,000) &= 2,000,000 \\ 2,000,000 / 5,000,000 & \\ \text{Income Factor} &= 0.40 \end{aligned}$$

- Enter your Income Factor on line 2b

**Rent Factor Calculations**

- Enter the Premises Number from Page 2 at the top of the column for Premises for which you are claiming the credit.
- Complete either lines 3a and 3b **OR** 4a and 4b.
- Line 3a: If your “Base Rent Before Rent Reduction” is less than \$125,000, enter the amount here.
- Line 3b: Your Rent Factor is 1.
- Line 4a: If your “Base Rent Before Rent Reduction” is at least \$125,000 but less than \$137,500, enter the amount here.
- Line 4b: Calculate your rent factor by subtracting the amount you have entered on line 4a from \$137,500 and dividing the difference by 12,500. Your Rent Factor will be a decimal value greater than zero and less than one. Calculate your Rent Factor to two decimal places.

**Example:**

Base Rent = 130,000  
 (\$137,500 – 130,000) = \$7,500  
 7,500 / 12,500  
 Rent Factor = 0.60

- Enter your Rent Factor on line 4b

**Small Business Tax Credit Calculation**

- Line 5a: Enter the tax due from page 2, line 15.
- Line 5b: Enter your Tax Credit from the Tax Credit Computation Worksheet on page 2.
- Line 5c: Subtract line 5b from line 5a and multiply the difference by your Income Factor from line 1b or 2b and by your Rent Factor from line 3b or 4b. Enter the value here, on page 2, line 17 and include on page 1, line 4.

**Note:** If you are using the WEB-based spreadsheet, all calculated fields are automatically completed.

**PAGE 1**

*Computation of Tax*

**LINE A - PAYMENT**

Enter the amount of payment remitted with this return in the space provided.

**LINES 1 AND 2 - COMPUTATION OF TAX DUE**

Enter the number of taxable premises you have occupied or used during the tax period in the appropriate columns on lines 1 and 2.

Enter on lines 1 and 2, whichever applies, your base rent totals for all premises in each class calculated on lines 13 and 14 from page 2. Multiply “total base rent” on line 2 by the tax rate of 6% and enter the result in the column under “tax due.” This amount should equal the total tax due before credit

of all the premises of line 15 from page 2.

**LINE 3 - TAX CREDIT**

Enter the total amount of tax credit of all the premises from page 2, line 16.

**LINE 4 - SMALL BUSINESS TAX CREDIT**

Enter the total amount of tax credit of all the premises from page 2, line 17.

**LINE 6 - TOTAL REMITTANCE DUE**

Deduct line 5 from line 4. The result will be the total remittance due for the period. Make your check payable to the order of:

**NYC Department of Finance**

Enter the amount of payment remitted with this return on Line A in the space provided.

- Be sure that your name, EIN or SSN, and Account ID Number appear on the face of the check.

**CUSTOMER ASSISTANCE**

If you have a Commercial Rent Tax-related question or concern, please call 311.

You can receive information or contact us by visiting the Department of Finance’s Internet web site at [nyc.gov/finance](http://nyc.gov/finance)

**DID YOUR MAILING ADDRESS CHANGE?**

If so, please visit us at [nyc.gov/finance](http://nyc.gov/finance) and click “Update Name and Address” in the blue “Business Taxes” box. This will bring you to the “Business Taxes Change of Name, Address or Account Information”. Update as required.

**PRIVACY ACT NOTIFICATION**

The Federal Privacy Act of 1974, as amended, requires agencies requesting Social Security Numbers to inform individuals from whom they seek this information as to whether compliance with the request is voluntary or mandatory, why the request is being made and how the information will be used. The disclosure of Social Security Numbers by taxpayers is mandatory and is required by section 11-102.1 of the Administrative Code of the City of New York. Disclosure by subtenants is voluntary. Such numbers disclosed on any report or return are requested for tax administration purposes and will be used to facilitate the processing of tax returns and to establish and maintain a uniform system for identifying taxpayers who are or may be subject to taxes administered and collected by the Department of Finance. Such numbers may also be disclosed as part of information contained in the taxpayer’s return to another department, person, agency or entity as may be required by law, or if the taxpayer gives written authorization to the Department of Finance.