



Instructions for Form CT-33-A

Insurance Corporation Combined Franchise Tax Return

Tax Law — Article 33

CT-33-A-I

Law changes

Some of the tax rates for Article 33 taxpayers will decrease in the year 2000. For calendar-year 2000 taxpayers, and fiscal-year taxpayers filing for a period beginning before July 1, 2000, the tax rate on entire net income will be 9%. For fiscal-year taxpayers filing for a period beginning on or after July 1, 2000, the tax rate on entire net income will decrease to 8.5%.

The tax rate under section 1505 for nonlife insurance companies will also decrease during the year 2000. For nonlife insurance companies filing a calendar-year report, or a fiscal-year report for periods beginning before July 1, 2000, the tax rate representing the limitation shall remain at 2.6%. For nonlife insurance companies filing fiscal-year reports for periods beginning on or after July 1, 2000, the limitation rate will decrease to 2.4%.

Section 11 of the Tax Law was amended to provide for a certified capital company (CAPCO) program 3. This program provides \$150 million dollars of certified capital which may be allocated and allowed as tax credits under sections 11 and 1511(k) of the Tax Law. Although investments in this program may begin immediately, the credits may not be claimed until 2002. There are restrictions on where the certified capital may be used.

Filing requirements

A group of insurance corporations, meeting the requirements outlined below, may use Form CT-33-A, *Insurance Corporation Combined Franchise Tax Return*, to file on a combined basis.

Each corporation included in a combined return must file a separate return on Form CT-33 and compute the premiums under section 1510. Each corporation included in a combined return (other than a foreign corporation not doing business in New York State and the corporation paying the combined tax) must pay a minimum tax of \$250.

Corporations may be permitted or required to file on a combined basis at the discretion of the Tax Department. When you file Form CT-33-A, you must also provide a *Combined Filer Statement* (Form CT-50 or CT-51) setting forth the names and other identifying information requested for each member of the group. These corporations may file on a combined basis if they meet the following requirements:

- The taxpayer owns or controls, either directly or indirectly, 80% or more of the voting capital stock of all the other corporations that are to be included in the combined return;
- 80% or more of the voting capital stock of the taxpayer is owned or controlled, either directly or indirectly, by other corporations that are to be included in the combined return; or
- 80% or more of the voting capital stock of the taxpayer and 80% or more of the voting capital stock of the other corporations that are to be included in the combined return are owned or controlled, either directly or indirectly, by the same interests.

To file a combined return, taxpayers must also meet a distortion requirement. The activities, business, income, or capital of a taxpayer is presumed to be distorted when filing a return on a separate basis if 50% or more of the transactions are intercorporate transactions among the corporations.

A combined return will not be required or permitted:

- to include corporations not subject to tax under Article 33 of the Tax Law, or
- to include any nontaxpayer, unless the Commissioner of Taxation and Finance deems inclusion necessary to properly reflect the tax liability under this Article (see section 1515(g) of the Tax Law).

Intercompany elimination of income and capital

- Eliminate intercompany dividends included in the combined return on Schedule P, line 46, to the extent not deducted on Form CT-33.
- Eliminate all investments and intercompany advances of corporations in the combined group in other corporations in the combined group on Schedule R, line 50, and on Schedule O, lines 43 and 44.
- Eliminate intercompany stock holdings, intercompany bills, intercompany notes receivable and payable, and other intercompany indebtedness on Schedule Q, line 48.

Intercompany elimination for allocation — Premiums ceded to other companies generally are not allocated in Schedule B of Form CT-33. However, if a company cedes insurance to another company in the combined group, the premiums must be included by the company writing the insurance. If the reinsurer allocates the same premium in Schedule B of Form CT-33, an intercompany elimination is required to exclude the duplicate allocation by the reinsurer.

Eliminate any amount allocated as wages by a corporation in the combined group that is a duplication of an item allocated as wages by another corporation in the combined group.

Metropolitan transportation business tax (MTA surcharge) — Any corporation taxable under Article 33 that does business, employs capital, owns or leases property, or maintains an office in the Metropolitan Commuter Transportation District (MCTD) must file Form CT-33-M and pay a metropolitan transportation business tax surcharge on business done in the Metropolitan Transportation Authority region (MTA surcharge). The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Amended return — If you are filing an amended return, please write **Amended return** across the top of the front page.

Reporting period — If you are a calendar-year filer, check the box in the upper right corner on the front of the form.

If you are a fiscal-year filer, complete the beginning and ending tax period boxes in the upper right corner on the front of the form.

Employer identification number, file number, and other identifying information — For us to process your corporation tax forms as quickly and efficiently as possible, it is important that we have the necessary identifying information from your preprinted label. **Keep a record of the label information for future use.** Please be certain to include your employer identification number and file number on each corporation tax form mailed. Without this information, we may not be able to process your return.

If you use a paid preparer or accounting firm, make sure they use the mailing label or label information when completing all forms prepared for you.

Change of business information — If there have been any changes in your business name, identification number, mailing address, business address, telephone number, or owner/officer information, and you have not previously notified us, complete Form DTF-95, *Business Tax Account Update*. For information about getting forms, refer to the *Need help?* section on page 4 of Form CT-33-A.

Change of address — If your address has changed, enter your new address on the label and check the box next to the name and address block at the top of your corporation tax return. Do not check this box for any change of business information other than address. You must still attach the preprinted label with the old address to enable us to update your account.

Specific instructions

Line A — Make your payment in United States funds. We will accept a foreign check or foreign money order only if payable through a United States bank or if marked **Payable in U.S. funds**.

Whole dollar amounts — You may elect to show amounts in whole dollars rather than in dollars and cents. Round an amount from 50 cents to 99 cents to the next higher dollar, and round any amount less than 50 cents to the next lower dollar.

Percentages — When computing allocation percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Carry percentages out to four decimal places. For example:

$$5,000/7,500 \times .6666666 = 66.6667\%$$

Negative amounts — Show any negative amounts in parentheses.

Schedule M — Computation of tax and installment payments of estimated tax

Line 1 — If the report is for calendar year 2000 or a fiscal year beginning before July 1, 2000, multiply the entire net income from line 47, column C by 9% (.09). If the report is for a fiscal year beginning on or after July 1, 2000, multiply the entire net income by 8.5% (.085).

Line 3 — Compute the combined alternative base by adding together the combined entire net income, before allocation, from line 46 and the sum of the officers' and stockholders' compensation (Form CT-33, line 61) of all the corporations included in the combined report. A \$15,000 deduction is allowed against the combined total of entire net income plus officers' salaries and stockholders' compensation. Multiply this remainder by 30% (.3), then multiply the result by the combined allocation percentage from line 42. Multiply this result by 9% (.09) to determine the tax on this line.

Lines 7, 8, and 9 — Enter the total combined premiums and compute the tax on lines 7, 8, and 9. Determine this amount by taking the premiums computed separately on Schedule H of each participant's individual Form CT-33 and transferring them to Form CT-33-A, lines 52, 53, and 54, and then computing the combined total of premiums. List the total combined premiums on lines 7, 8, and 9, and compute the additional tax on premiums on these lines and on line 10.

Line 13 — Multiply the amount from line 55, column C by 2%.

Line 14 — Multiply the amount from line 56, column C by either 2.6% (.026) or 2.4% (.024) depending upon the beginning date of the tax return being filed. For calendar-year returns, and fiscal-year returns with a beginning date before July 1, 2000, the rate shall be 2.6%. For fiscal-year returns with a beginning date on or after July 1, 2000, the tax rate will decrease to 2.4%.

Line 16 — Enter the lower of the tax determined under section 1505(a) (line 15), or the taxes determined under sections 1501 and 1510 (line 12). A special rule applies to taxpayers claiming EZ and ZEA credits. You may subtract EZ and ZEA credits claimed on line 17 from the amount reported on line 12. If the resulting amount is lower than the limitation on tax reported on line 15, enter the amount from line 12.

Line 17 — Check the box for each credit claimed. If you computed the lowest tax on line 16 according to the limitation on tax from line 15, you may not deduct the EZ tax credits computed on Form DTF-601, DTF-601.1, and DTF-602 on this line, but you may carry them forward to the following year.

The aggregate amount of tax credits allowed in any tax year to corporations included in a combined return for their investments in certified capital companies may not exceed \$10 million. Such corporations may claim 10% of their investments up to \$10 million in the year the investments are made. They may claim the remainder over the next nine years.

Line 18 — Subtract line 17 from line 16. If the retaliatory tax credits claimed on line 17 are more than the tax payable on line 16, you may elect to have the excess credited to the next tax period or refunded without interest on line 32. Add to this line any net recaptured CAPCO credits computed on line 140 of Form CT-33.

Line 19b — Life insurance companies must pay a first installment equal to 40% of their preceding year's tax, while nonlife insurance companies must pay a first installment equal to 25% of their preceding year's tax. If a combined report includes both life and nonlife companies, determine the first installment on a mixed-percentage basis based upon the amount of life and nonlife premiums. Compute the first installment on the worksheet below:

1. Enter the life insurance company premiums included on line 7 of Form CT-33-A _____
2. Enter the total premiums included on lines 7, 8, and 9 of Form CT-33-A _____
3. Divide line 1 by line 2 to arrive at the life insurance percentage _____ %
4. Enter the combined tax due from line 18 of Form CT-33-A _____
5. Multiply line 4 by the life insurance percentage on line 3 _____
6. Subtract the amount on line 5 from the amount on line 4 _____
7. Multiply line 5 by 40% (.4) _____
8. Multiply line 6 by 25% (.25) _____
9. First installment due (add lines 7 and 8; enter on line 19b) _____

Line 23 — If you underpaid your estimated tax, use Form CT-222, *Underpayment of Estimated Tax by a Corporation*, to compute the penalty. Enter "0" if no penalty is due.

Line 24 — If you do not pay the tax on or before the original due date (**without** regard to any extension of time) you must pay interest on the amount of underpayment from the original due date to the date paid. Exclude from the interest computation any amount shown on line 19a or 19b, first installment of estimated tax for next period.

Line 25 — Compute additional charges for late filing and late payment on the amount of tax required to be shown on the return after deduction of any payment made on or before the due date (**with** regard to any extension of time for filing). Exclude from the penalty computation any amount shown on line 19a or 19b, first installment of estimated tax for next period.

- A If you do not file a return when due or if the application for extension is invalid, add to the tax 5% per month up to 25% (section 1085(a)(1)(A)).
- B If you do not file a return within 60 days of the due date, the addition to tax for item A above cannot be less than the smaller of \$100 or 100% of the amount required to be shown as taxes (section 1085(a)(1)(B)).
- C If you do not pay the tax shown on a return, add to the tax ½% per month up to 25% (section 1085(a)(2)).
- D The total of the additional charges in items A and C above may not exceed 5% for any one month except as provided for in item B above (section 1085(a)).

If you think you are not liable for these additional charges, attach a statement to your return explaining reasonable cause for the delay in filing or payment (section 1085).

Note: If you wish, we will compute the interest (line 24) and penalty (line 25) for you. Call the Business Tax Information Center at 1 800 972-1233.

Line 31 — Collection of debts from your refund — We will keep all or part of your refund if you owe a past-due legally enforceable debt to the Internal Revenue Service (IRS) or to a New York State agency. This includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district. We will refund any amount over your debt.

If you have any questions about whether you owe a past-due legally enforceable debt to the IRS or to a state agency, contact the IRS or that particular state agency.

For New York State tax liabilities **only** call 1 800 835-3554 (outside the U.S. and outside Canada call (518) 485-6800) or write to NYS Tax Department, Tax Compliance Division, W A Harriman Campus, Albany NY 12227.

Line 32 — If you have an excess of retaliatory tax credit from line 17, you may elect to have the excess credited to the next period or refunded without interest by entering the amount on this line. If you elect to have the excess carried forward, attach a statement showing the balance.

Schedule T — Limitation of tax (section 1505)

Lines 55 and 56 — The limitation tax rate is determined by a corporation's status as a life insurance company or a nonlife insurance company. Enter on line 55 the premiums from Form CT-33, line 99 for each of the life insurance companies included in the combined group. Enter on line 56 the premiums from Form CT-33, line 99 for each of the nonlife insurance companies included in the combined group.

Schedule U — Computation of combined issuer's allocation percentage

Complete this schedule by entering for the parent and each subsidiary, the individual New York premiums on line 57 and the total premiums on line 58, as reported in the annual statement filed with the Superintendent of Insurance. Your failure to supply the information required may result in a \$500 penalty under section 1085(o).

Composition of prepayments

Line 65 — Enter on this line any prepayments from subsidiaries listed on Form CT-33, line 130.