



Instructions for Form IT-254

Claim for Residential Fuel Oil Storage Tank Credit

(Personal Income Tax)

IT-254-I

General information

Section 606(p-1) of the New York State Tax Law allows a credit to eligible taxpayers for the cost of removal and the cost of permanent closure of an unprotected residential fuel oil storage tank, and the purchase and installation costs of a new residential fuel oil storage tank used to provide heating fuel for qualified residential property located in the state of New York. To claim the credit, you must have incurred the cost of tank removal, closure, or replacement.

The credit only applies to tax years beginning in 2001 and 2002. The credit is not refundable, but any unused credit may be carried forward to future years (including tax years after 2002). For more information on this credit, see Publication 64, *FAQs: Residential Fuel Oil Storage Tank Credit*.

Who is eligible

- Individuals, estates, and trusts,
- Partners in a partnership, including members of an LLC that is treated as a partnership for federal income tax purposes,
- Beneficiaries of an estate or trust.

Who must file

File Form IT-254 if you are an individual, a partnership, or an estate or trust and you qualify for the credit. In addition, if you are a partner in a partnership (including members of an LLC treated as a partnership for federal income tax purposes), or a beneficiary of an estate or trust, file Form IT-254 to claim your share of the credit from your entity.

A partnership must file Form IT-254 with Form IT-204, *Partnership Return*, showing the partnership's total credit for the residential fuel oil storage tank.

Definitions

Residential fuel oil storage tank means a tank used to supply heating fuel to qualified residential property. It also includes a tank used to supply heating fuel to qualified residential property where a portion of the residence is used for commercial purposes.

Heating fuel means fuel oil or kerosene. It does not include propane, natural gas, or gasoline.

Qualified residential property means a single family, two-family, three-family, or four-family residence located in New York State.

Unprotected tank means a bare steel tank that does not have provisions to prevent corrosion (such as a double wall or cathodic protection).

Permanently closing a residential fuel oil storage tank means the tank has been left in place but has been permanently taken out of service in compliance with all state and local laws and codes.

Removal of a residential fuel oil storage tank means the tank has been removed from the property in compliance with all state and local laws and codes.

Costs include all costs associated with the removal or permanent closure of an existing unprotected tank and the purchase and installation of a new tank, including but not limited to, costs for labor and materials, cleanup costs if a leak is found, and excavation costs necessary to remove an existing tank or install a new tank and return the land to its original state. **Costs** do not include the costs necessary to hook up the qualified property to an alternative fuel (such as natural gas) after the removal or closure of an existing tank. Furthermore, **costs** do not include financing or interest charges.

A new residential fuel oil storage tank means a new tank that has been installed in conformance with all state and local laws and codes and manufacturers' directions.

Your local fire and building inspector, heating oil supplier, or contractor dealing with heating oil tanks should be able to provide you with additional information regarding the procedures for tank removal, closure, and replacement in your area.

Amount of credit

The residential fuel oil storage tank credit is equal to the sum of:

- (1) the costs of removal of an existing unprotected residential fuel oil storage tank, not to exceed \$250, plus
- (2) the cost of permanently closing an existing unprotected residential fuel oil storage tank, not to exceed \$250, plus
- (3) the costs to purchase and install a new residential fuel oil storage tank, provided the new tank is used in place of a formerly used unprotected residential fuel oil storage tank that was removed or permanently closed during the tax year or the immediately preceding tax year, not to exceed \$250.

Example: On January 10, 2001, you had an unprotected residential fuel oil storage tank removed from qualified residential property. A new tank was installed on January 11, 2001, to replace the tank that was removed. You would be allowed a credit for the costs (up to \$250) for the removal of the unprotected tank, and a credit for the costs (up to \$250) for the purchase and installation of the new tank.

You may claim a credit for the cost of (1), (2), and (3) only once for a particular residence. Accordingly, the total amount of credit you may claim for a particular residence is \$750.

Special rules

- You cannot claim the credit for the purchase and installation of a new residential fuel oil storage tank unless the new tank is used in place of an existing unprotected residential fuel oil storage tank that was removed or permanently closed during the tax year or the preceding tax year. Accordingly, the credit is not available for a tank installed in a newly constructed residence, or for a tank that was installed in a residence that was heated with another fuel (such as natural gas or propane) immediately prior to the installation of the new tank.

However, if an existing tank was removed or closed in 2000, but the tank was not replaced until 2001, the credit will be allowed only for the costs (up to \$250) of purchase and installation of the new tank.

Example: On December 29, 2000, you permanently closed an unprotected residential fuel oil storage tank located on qualified residential property. A new tank was installed on January 2, 2001, to replace the tank that was closed in December. You would be allowed a credit for the costs (up to \$250) for the purchase and installation of the new residential fuel oil storage tank that occurred in tax year 2001. You cannot claim any credit for the costs of the permanent closure of the unprotected tank since the tax credit was not in effect for tax year 2000.

- You may claim the credit for removal or permanent closure of an existing unprotected residential fuel oil storage tank even if you do not replace it with a new tank.

Example: On September 11, 2001, you had an unprotected residential fuel oil storage tank removed from your qualified residential property and converted the residence to natural gas heat. You may claim the credit for the costs (up to \$250) for the removal of the tank. However, you cannot claim the credit for any part of the costs for the conversion to natural gas.

- You can claim the credit for the purchase and installation of a new tank even if the new tank is not installed in the same manner as the old tank.

Example: On June 1, 2001, you permanently close an existing unprotected underground residential fuel oil storage tank on your qualified residential property and replace it with a new tank that is installed in your basement. You would be allowed a credit for the costs (up to \$250) for the permanent closure of the old tank, and a credit for the costs (up to \$250) for the purchase and installation of the new tank.

- You may claim the credit even if you do not own, or reside at the qualified residential property. However, you must have actually paid the cost of removal, permanent closure, or installation of the new residential fuel oil storage tank to claim the credit.

Example: On August 1, 2001, an unprotected residential fuel oil storage tank was removed from your parent's single family residence (located in New York State) and replaced with a new tank. You paid the costs for both the removal of the old tank and the purchase and installation of the new tank. You would be allowed a credit for the costs (up to \$250) for the removal of the unprotected tank, and a credit for the costs (up to \$250) for the purchase and installation of the new tank. However, your parents may not claim the credit.

- If you share the cost of removing, permanently closing, or replacing a residential fuel oil storage tank on qualified residential property with another taxpayer(s), the amount of credit allowable to each taxpayer is prorated according to the percentage of the total cost contributed by each taxpayer. Each taxpayer will file Form IT-254 to show the computation of the total credit, and then claim only their share of the line 13 credit on Form IT-201-ATT, IT-203-B, IT-204, or IT-205. Additionally, each taxpayer must attach a statement to their return showing each taxpayer's name and the total cost contributed by each taxpayer.

The total credit claimed by all taxpayers sharing a credit for a particular residence cannot exceed the sum of:

- \$250 for the removal of a residential fuel oil storage tank, plus
- \$250 for the permanent closure of a residential fuel oil storage tank, plus
- \$250 for the purchase and installation of a new residential fuel oil storage tank.

Example: On July 1, 2001, an unprotected residential fuel oil storage tank was removed from a two-family residence located in New York State and replaced with a new residential fuel oil storage tank. Both tenants shared equally in the cost of tank removal and replacement. Each tenant must file Form IT-254 to show the computation of the total credit. Each taxpayer would then claim one-half of the total credit on their New York State return. Additionally, each taxpayer must attach a statement to their New York State return (Form IT-201-ATT, Form IT-203-B, Form IT-204, or Form IT-205) showing the names of both taxpayers and the total cost contributed by each taxpayer.

Handwritten entries

Rectangular boxes have been printed for the identification number on your return and on line 13 to guide you in making handwritten entries in these areas. This will allow us to use the latest scanning and image processing equipment.

- Print (using a blue or black ballpoint pen; no pencils, please) or type money amounts in the boxes provided.
- Carefully enter your money amounts in the boxes, allowing one numeral for each box. Whole dollar amounts end directly to the left of the decimal point and cents begin to the right.

Example: If your entry for line 13 is \$1,500.00, your money field entry should look like this:

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Line instructions

Individuals must complete Schedules A and E.

Partnerships must complete Schedules A and E.

Partners in a partnership and beneficiaries of an estate or trust must complete Schedules B, C, and E.

Fiduciaries must complete Schedules A, B, C, D, and E, whichever apply.

Schedule A — Individuals, partnerships, and estates and trusts

Note: If you are claiming a credit for more than one qualified residential property, complete as many Forms IT-254 as necessary through line 11. On only one of the forms, enter the total of the line 11 amounts from the additional Form(s) IT-254 on line 12. Attach the additional Form(s) IT-254 to the back of the Form IT-254 that has an entry on line 12.

Part I

Complete Part I for the qualified residential property for which you are claiming the residential fuel oil storage tank credit.

Part II

Complete Part II if you are claiming a credit for the removal of an existing unprotected residential fuel oil storage tank.

Part III

Complete Part III if you are claiming a credit for permanently closing an existing unprotected residential fuel oil storage tank.

Part IV

Complete Part IV if you are claiming a credit for the purchase and installation of a new residential fuel oil storage tank.

Schedule B — Partnership and estate and trust information

Enter the appropriate information for each partnership or estate or trust for which you received a share of the residential fuel oil storage tank credit. If you need more space, attach a separate schedule.

Schedule C — Partner's or beneficiary's share of credit

Partners or beneficiaries must complete Schedule C.

Enter your share of the residential fuel oil storage tank credit from a partnership or estate or trust on the appropriate lines in Schedule C. This information should be provided to you by the partnership or estate or trust. If you belong to more than one partnership or estate or trust, enter the total of all your shares on the appropriate line.

Estates and trusts: Include on line 6 only your share of the residential fuel oil storage tank credit from another estate or trust.

Schedule D — Beneficiary's and fiduciary's share of the credit

An estate or trust must complete Schedule D.

Column C — Include in the total line both (1) the estate or trust's credit from Schedule A, line 4, and (2) the estate or trust's share of the credit from Schedule C, line 7. The total credit is allocated between the estate or trust and its beneficiaries on the same basis as the income of the estate or trust is allocated.

Schedule E — Computation of credit

Complete lines 8, 9, and 10, whichever line(s) may be applicable to you.

Line 12 — Enter the total of the line 11 amounts from any additional Form(s) IT-254 attached. (See **Note**, under Schedule A above.) If you are filing only one Form IT-254, enter "0."

Line 13 — Add lines 11 and 12. Enter the total here and transfer to the appropriate line of the form you are filing as listed below line 13.

If you shared the cost of removing, permanently closing, or installing a new residential fuel oil storage tank, see *Special rules* starting on the front of these instructions.