



Instructions for Form IT-254

Claim for Residential Fuel Oil Storage Tank Credit

IT-254-I**(Personal Income Tax)**

Important changes for tax year 2002

If you removed or permanently closed a residential fuel oil storage tank after March 31, 2002, you must replace the tank that was removed or permanently closed with a new residential fuel oil storage tank in order to qualify for the credit. If you removed or permanently closed a residential fuel oil storage tank before April 1, 2002, you were not required to replace the residential fuel oil storage tank to qualify for the credit.

General information

Effective January 1, 2001, through March 31, 2002, 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 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.

Effective April 1, 2002, section 606(p-1) of the Tax Law has been amended. If you remove or close a residential fuel oil storage tank after March 31, 2002, but before January 1, 2004, a credit will be allowed only if a new residential fuel oil storage tank is purchased and installed to replace the tank that was removed or permanently closed. The new tank must be used to provide heating fuel for qualified residential property located in New York State. The credit will be allowed for the year in which the replacement tank is installed. To claim this credit, you must have incurred the total cost of tank replacement.

The credit is not refundable, but any unused credit may be carried forward to future years (including tax years after 2003). For more information on this credit, see Publication 64-W, *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

- **For tanks removed, or permanently closed, prior to April 1, 2002**, 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, 2002, you had an unprotected residential fuel oil storage tank removed from qualified residential property. A new tank was installed on January 11, 2002, 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.

Note: If you claimed a credit for the removal or permanent closure of an existing residential fuel oil storage tank in 2001 or prior to April 1, 2002, and replaced the tank in 2002, you would be allowed a credit for the costs (up to \$250) of purchase and installation of the new tank, even if the new tank was installed after March 31, 2002.

- **For tanks removed or permanently closed after March 31, 2002, and replaced before January 1, 2004,** the residential fuel oil storage tank credit will be the total cost of tank removal or permanent closure and replacement, or \$500, whichever is less.

Special rules

The following rules apply for residential fuel oil storage tanks removed or permanently closed before April 1, 2002:

- You cannot claim the credit for installing 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.

Example: On March 2, 2002, you removed an unprotected residential fuel oil storage tank located on qualified residential property. The cost of the tank removal was \$300. Therefore, for tax year 2002, you are allowed a residential fuel oil storage tank credit of \$250.

Due to extensive renovations, the new residential fuel oil storage tank will not be installed (to replace the tank that was removed in 2002), until January 2003.

You cannot claim any credit for the purchase and installation of the new tank for tax year 2002. For tax year 2003, you will be allowed to claim a credit for the costs (up to \$250) for the purchase and installation of the tank, provided it is installed before January 1, 2004.

- 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 March 5, 2002, 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 March 1, 2002, 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 February 10, 2002, an unprotected residential fuel oil storage tank was removed from your parents' 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 15 credit on Form IT-201-ATT, IT-203-B, IT-204, or IT-205. Additionally, each taxpayer must attach a statement to his or her 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 January 10, 2002, 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 his or her New York State return. Additionally, each taxpayer must attach a statement to his or her 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.

The following rules apply for residential fuel oil storage tanks removed or permanently closed after March 31, 2002:

- You cannot claim the credit for the removal or permanent closure of an unprotected residential fuel oil storage tank unless you replace it with a new residential fuel oil storage tank.
- You cannot claim the credit for installing 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. 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.

The credit will be allowed for the tax year in which the replacement tank is installed, not the year in which the old unprotected tank is removed or permanently closed.

Example: On December 30, 2002, you had an existing unprotected residential fuel oil storage tank removed from your property. On January 2, 2003, a new residential fuel oil storage tank is installed to replace the previously used tank.

You may not claim the residential fuel oil storage tank credit on your 2002 New York State income tax return since the new tank was not installed until 2003. You must wait until you file your income tax return for tax year 2003 and then claim the credit for the costs (up to \$500) for tank replacement.

- You may claim the credit for the replacement of an unprotected residential fuel oil storage tank even if the new tank is not installed in the same manner as the old tank.

Example: On April 10, 2002, you permanently closed an existing unprotected underground residential fuel oil storage tank on your qualified residential property and replaced it with a new residential fuel oil storage tank that was installed in your basement. You would be allowed a credit for the total costs (up to \$500) of replacing the 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 replacing the residential fuel oil storage tank to claim the credit.

Example: On June 5, 2002, an unprotected residential fuel oil storage tank was replaced at your parents' single-family residence (located in New York State). You paid the cost for the removal of the old tank and the purchase and installation of the new tank. You would be allowed a credit for the total cost (up to \$500) for the replacement of the tank. However, your parents may not claim the credit.

- If you share the cost of 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 his or her share of the line 15 credit on Form IT-201-ATT, IT-203-B, IT-204, or IT-205. Additionally,

each taxpayer must attach a statement to his or her 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 \$500.

Example: On August 20, 2002, an unprotected residential fuel oil storage tank was removed from a four-family residence located in New York State and replaced with a new residential fuel oil storage tank. Four tenants shared equally in the cost of the tank replacement. Each tenant must file Form IT-254 to show the computation of the total credit. Each taxpayer would then claim one-fourth of the total credit on his or her New York State income tax return. Additionally, each taxpayer must attach a statement to his or her New York State return (Form IT-201-ATT, Form IT-203-B, Form IT-204, or Form IT-205) showing the names of all four 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 15 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 15 is \$500.00, your money field entry should look like this:

▶ 15.

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Line instructions

Individuals must complete Schedules A, B, and F.

Partnerships must complete Schedules A, B, and F.

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

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

Schedule A — Individuals, partnerships, and estates and trusts

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

Note: If you are claiming a credit for more than one qualified residential property, complete as many Forms IT-254 as necessary through line 13. On only one of the forms, enter the total of the line 13 amounts from the additional Form(s) IT-254 on line 14. Attach the additional Form(s) IT-254 to the back of the Form IT-254 that has an entry on line 14.

Schedule B — Computation of credit

Part I - For residential fuel oil storage tanks removed or permanently closed prior to April 1, 2002

Line 1 — Complete line 1 if you are claiming a credit for the removal of an existing unprotected residential fuel oil storage tank prior to April 1, 2002.

Line 2 — Complete line 2 if you are claiming a credit for permanently closing an existing unprotected residential fuel oil storage tank prior to April 1, 2002.

Line 3 — Complete line 3 if you are claiming a credit for the purchase and installation of a new residential fuel oil storage tank.

Part II — For residential fuel oil storage tanks removed or permanently closed after March 31, 2002

Line 5 — Complete line 5 if you are claiming a credit for the removal or permanent closure and purchase and installation of a new residential fuel oil storage tank where the removal or permanent closure of the tank and installation of a new tank took place after March 31, 2002.

Note: If you had a residential fuel oil storage tank removed or permanently closed after March 31, 2002, but you will not have the new replacement tank installed until after December 31, 2002, you cannot claim the credit for 2002.

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

Partners or beneficiaries must complete Schedule D.

Enter your share of the residential fuel oil storage tank credit from a partnership or estate or trust on the appropriate lines in Schedule D. 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 8 only your share of the residential fuel oil storage tank credit from another estate or trust.

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

An estate or trust must complete Schedule E.

Column C — Include in the total line, column C, both the estate or trust's credit from Schedule B, line 6, and the estate or trust's share of the credit from Schedule D, line 8. 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 F — Computation of credit

Complete lines 10, 11, and 12, whichever line(s) are applicable to you.

Line 14 — Enter the total of the line 13 amounts from any additional Form(s) IT-254 attached. (See *Note*, under Schedule A on page 3.) If you are filing only one Form IT-254, enter "0."

Line 15 — Add lines 13 and 14. Enter the total here and on the appropriate line of the form you are filing from the list below line 15.

If you shared the cost of removing, permanently closing, or installing a new residential fuel oil storage tank, see *Special rules* starting on page 2 of these instructions.

Need help?



Telephone assistance is available from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday.

For tax information: 1 800 225-5829

To order forms and publications: 1 800 462-8100

Refund status: (electronically filed) 1 800 353-0708

(direct deposit) 1 800 321-3213

(all others) 1 800 443-3200

(Automated service for refund status is available 24 hours a day, 7 days a week.)

From areas outside the U.S. and outside Canada: (518) 485-6800



Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week.

1 800 748-3676



Internet access: www.tax.state.ny.us

(for forms, publications, your refund status, to check your estimated tax account, and other information)



Hotline for the hearing and speech impaired:

1 800 634-2110 from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday. If you do not own a telecommunications device for the deaf (TDD), check with independent living centers or community action programs to find out where machines are available for public use.



Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.



If you need to write, address your letter to:

NYS TAX DEPARTMENT
TAXPAYER CONTACT CENTER
W A HARRIMAN CAMPUS
ALBANY NY 12227