



Instructions for Form IT-112-C

IT-112-C-I

New York State Resident Credit for Taxes Paid to a Province of Canada



This form may be e-filed as an attachment to an e-filed return; you cannot e-file this form by itself.

New for 2005

For tax years beginning on or after January 1, 2005, new Form IT-112-C, *New York State Resident Credit for Taxes Paid to a Province of Canada*, must be used instead of Form IT-112-R, *New York State Resident Credit*, for claiming a resident credit or addback for taxes paid to a Canadian province. You should still claim a resident credit for taxes paid to another state, local government, or the District of Columbia on Form IT-112-R. See Form IT-112-R-I, *Instructions for Form IT-112-R*, for more information.

You are no longer **required** to attach a copy of the 2005 return you filed with the Canadian province to your Form IT-201, IT-203, or IT-205. Attaching a copy of the provincial return is now **optional**. However, you must still attach a copy of federal Form 1116. Whether or not you attach a copy of the provincial return to Form IT-201, IT-203, or IT-205, you **must** complete Part 3.

If you or your paid preparer use software to produce this form, it might have a two-dimensional (2-D) barcode on the bottom of the front page. It will appear as a rectangular-shaped object with very small black boxes and white spaces. This barcode will be used to efficiently process your entries on this form.

Foreign currency conversion

Report all amounts in U.S. dollars. For income earned throughout the tax year, use the average exchange rate for that year. If you take a credit for taxes paid, the conversion rate is the rate of exchange in effect on the day you paid the foreign taxes (or on the day the tax was withheld). If you receive a refund of foreign taxes paid, the conversion rate is the rate in effect when you paid the taxes, not when you receive the refund.

General instructions

If you are a full-year or part-year resident of New York State and if any part of your income was taxed by a Canadian province, you may claim a credit against your New York State tax. This credit is allowable only for the part of the tax that applies to income received in the Canadian province while you were a New York State resident. If you paid tax to more than one Canadian province during your New York State resident period, use a separate Form IT-112-C for each province.

You may not claim a credit for any amount of tax paid to the Canadian province on any amount of income, gain, loss, or deduction arising from interest or dividends from intangible assets unless it is received from an asset connected with a trade or business conducted in the other taxing authority.

If you checked filing status ③, *Married filing separate*, on Form IT-201 or Form IT-203, and if only one spouse paid tax to a Canadian province, that spouse must figure the credit based on his or her separate return. No part of the credit can be claimed by the spouse who did not have tax payable to the Canadian province.

A New York resident estate or trust is also allowed to claim a resident credit on Form IT-112-C. If you are a fiduciary of a resident estate or trust, determine the total New York adjusted gross income in Part 1 the same way as a resident individual. In arriving at New York adjusted gross income, subtract any charitable contributions and distributions made to beneficiaries. Include these amounts on line 19.

If you have any questions about figuring the resident credit, write to the Taxpayer Contact Center, W A Harriman Campus, Albany NY 12227, or call toll free (1 800 225-5829). From areas outside the U.S. and outside Canada, call (518) 485-6800.

A shareholder of a subchapter S corporation is **not** allowed a resident credit for any income tax imposed upon or payable by the S corporation to a province of Canada. However, a shareholder is allowed a resident credit if taxes are calculated on the income of the S corporation, but are imposed upon and payable by the shareholder.

Taxpayers with dual residency status — If you are a resident of New York State for personal income tax purposes and also deemed a resident of a province of Canada for income tax purposes under its law, no credit is allowed if the other jurisdiction allows a credit against its tax for the total resident tax paid to New York.

If you claimed a prior-year(s) resident credit for taxes paid to a province of Canada, and in the federal computation (federal Form 1116, line 10) of the 2005 credit you used the provincial tax carried over, you must complete a 2005 Form IT-112-C for the purpose of the addback, even though no current-year New York State credit is claimed.

Important reminder to file a complete return

You must complete all required schedules and forms that make up your return, and include all pages of those forms and schedules when you file. Attach **only** those forms and schedules that apply to your return, and be sure that you have made all required entries. Returns that are missing required pages or that have pages with missing entries are considered incomplete and cannot be processed, and may subject taxpayers to penalty and interest.

Filling in your tax forms

For complete information on how to fill in New York State scannable income tax forms, see the instructions for:

- resident returns (Forms IT-150 and IT-201),
- nonresident and part-year resident return (Form IT-203),
- partnership return (Form IT-204), **or**
- fiduciary return (Form IT-205).

Also see the instructions for the above returns for the *Privacy notification* or if you *Need help* in contacting the Tax Department.

Line instructions

Part 1 — Income and adjustments

Lines 1 through 18

Residents and part-year residents — **Do not** enter in column A or B any income that is taxable to the Canadian province but **not** taxable to New York State.

Do not enter in column A or B the ordinary income portion of lump-sum distributions received from sources outside New York State that is subject to the New York State separate tax on lump-sum distributions and is also subject to any income tax or separate tax by the other taxing authority. Figure any resident credit against the separate tax on a lump-sum distribution paid to another taxing authority on Form IT-112.1, *New York State Resident Credit Against Separate Tax on Lump-Sum Distributions*.

Do not enter in column B any amount of income, gain, loss, or deduction arising from interest or dividends from intangible assets unless it is received from an asset connected with a trade or business conducted in the other taxing authority.

Residents — Enter in column A, lines 1 through 18, the amount of each item of income or deduction reported on Form IT-201 or the amount of income reported on Form IT-205 as if the estate or trust were a resident individual. If you checked filing status ②, *Married filing joint*, include in column A the amounts of both spouses even if the income of only one spouse was subject to tax in the Canadian province.

Enter in column B of Form IT-112-C the gross income from column A that was taxed by the Canadian province minus any applicable expenses and losses that you deducted in computing federal adjusted gross income. In determining the expenses and losses deductible from items of gross income, follow the federal rules for deductions in computing federal adjusted gross income.

Enter in column B any federal adjustments to income that were allowed by the Canadian province.

Taxpayers with dual residency status — If you are a resident of New York State for personal income tax purposes and also deemed a resident of a province of Canada for income tax purposes under its law, do not include in column B any amount of income, gain, loss, or deduction arising from interest or dividends from intangible assets unless it is received from an asset connected with a trade or business conducted in the other taxing authority. Also, do not include in column B any income attributable to a business, trade, profession, or occupation unless the business, trade, profession, or occupation was carried on in the other jurisdiction.

Example: For tax year 2005, you were taxable as a New York resident. You were also taxable as a resident of a province of Canada. You had wages of \$65,000 for the year, of which \$20,000 were earned for services performed in the province of Canada and \$45,000 for services performed in New York. You will enter the \$20,000 wages in column B.

Part-year residents — If you were a New York State resident for only part of the year and if you were subject to income tax by a Canadian province during that period, enter in column A the amount of each item of income or deduction entered on the *Part-year resident income allocation worksheet*, Column A, in Form IT-203-I, *Instructions for Form IT-203*.

Enter in column B of Form IT-112-C only the amount of each item of income or deduction from column A that relates to your New York State resident period that was taxed by the Canadian province.

Line 19 New York adjustments — Enter your net New York adjustment. On Form IT-201, it is the difference between your New York additions (lines 20 through 23) and your New York subtractions (line 32). On Form IT-205, it is the fiduciary share, from Schedule B, that relates to the items of income, gain, loss, and deductions included in the computation of federal adjusted gross income.

Part-year residents — Enter your net New York adjustments that apply to your income in column A.

Line 20 New York adjusted gross income — In column A, the net New York adjustment on line 19 must be added to or subtracted from federal adjusted gross income on line 18. In column B, enter the amount from line 18, column B.

Line 21 Capital gain portion of lump-sum distributions — Enter in column A the capital gain portion of lump-sum distributions reported at Part II of federal Form 4972. Enter in column B the capital gain portion of lump-sum distributions

reported at Part II of federal Form 4972 that is subject to tax by the Canadian province.

Part 2 — Figuring your resident credit or addback for taxes paid to a province of Canada

Line 23 — Enter the two-letter abbreviation (see below) of the Canadian province to which the income tax was paid.

Province abbreviations

| | | | |
|---------------------------|----|-----------------------|----|
| Alberta | AB | Nunavut | NU |
| Alberta | | Nunavut | |
| British Columbia | BC | Ontario | ON |
| Colombie-Britannique | | Ontario | |
| Manitoba | MB | Prince Edward Island | PE |
| Manitoba | | Ile-du-Prince-Edouard | |
| New Brunswick | NB | Quebec | QC |
| Nouveau-Brunswick | | Quebec | |
| Newfoundland and Labrador | NL | Saskatchewan | SK |
| Terre-Neuve-et-Labrador | | Saskatchewan | |
| Northwest Territories | NT | Yukon | YT |
| Territoires du Nord-Ouest | | Yukon | |
| Nova Scotia | NS | | |
| Nouvelle-Ecosse | | | |

Line 24

Residents and part-year residents — The amount of income tax imposed is the amount of income tax computed on your return for the Canadian province minus any credits allowed against this tax. **Do not** include the tax on income that is taxed by the other taxing authority but is not taxed by New York State. **Do not** enter tax withheld, estimated tax payments, or payments of balances due on these lines. If the amount of income tax paid to the Canadian province is satisfied by the amount of income tax withheld, you must attach proof of payment. A copy of the withholding tax statement showing the amount of tax withheld by the other taxing authority is acceptable proof.

Do not include on line 24 Canadian federal tax imposed.

Residents — Enter the amount of income tax imposed by the Canadian province.

Part-year residents — Enter only the portion of the tax attributable to income earned during your New York resident period.

Taxpayers with dual residency status — Compute the amount to enter on line 24 as follows:

$$\frac{\text{Amount from Column B, Line 22}}{\text{Total income on provincial return}} \times \text{Total tax due on other return}$$

Total income means the total income reported on the provincial return, before any allowances for a standard or itemized deduction or exemptions.

Line 33

Form IT-203 filers — Enter New York State tax from Form IT-203, line 40, plus the Worksheet C, line 5 amount in the instructions for Form IT-230, *Separate Tax on Lump-Sum Distributions*.

Form IT-201 and Form IT-205 filers — Complete the following worksheet:

Worksheet for figuring your New York State tax payable

- a. Enter New York State tax from Form IT-201, line 39 plus the tax from Form IT-230, Part 2, line 2, *New York State* column. Resident estate or trust: Enter New York State tax from Form IT-205, line 8. Part-year resident trust: Enter NY State tax from Form IT-205, line 9. a. _____
- b. Enter your New York State household credit, if any, from Form IT-201, line 40..... b. _____
- c. New York State tax payable (*subtract line b from line a*). Enter this amount on line 33. c. _____

Line 34 — Round to the fourth decimal place, and enter the percentage figure.

Example: *If the amounts used were \$10,000 divided by \$30,000, the result would be .3333. Convert to a percentage by moving the decimal two places to the right (33.33%).*

Lines 29 and line 31

The Canadian provincial tax is deemed to be claimed last for federal purposes. When computing the amount available for New York credit, enter only that portion of the provincial tax not used in the computation of the federal foreign tax credit.

Line 41 — If on your 2005 federal Form 1116, line 10, you included provincial taxes that were used in the computation of a prior-year New York State resident credit, and now the carryover is claimed for federal purposes, an entry must be made on line 41. This entry must be made whether or not a current year resident tax credit is claimed.

If the carryover used in the computation of the federal credit included provincial taxes that were used in the computation of more than one prior-year New York State resident credit or multiple prior-year Forms IT-112-R, enter the total of the credits claimed and attach a copy of all applicable prior-year Forms IT-112-R.

Line 43 — Resident credit allowable

The resident credit may not decrease your New York State tax payable to an amount less than would have been due if the income subject to taxation by the other jurisdiction(s) was excluded from your New York income.

Enter the line 43 amount on Form IT-201, line 41; Form IT-203-ATT, line 1; or include it on Form IT-205, line 10. If you filed more than one 2005 Form IT-112-C or also filed Form IT-112-R, enter the total of the allowable credits on Form IT-201, line 41; Form IT-203-ATT, line 1; or include it on Form IT-205, line 10. Attach each original Form IT-112-C and a copy of federal Form 1116 to Form IT-201, IT-203, or IT-205.

Line 44

If line 41 is more than line 40, subtract line 40 from line 41 and enter the result on line 44. This is your addback of resident credit.

- **Individuals** — Enter the total addback(s) from all Forms IT-112-C and code **141** on Form IT-201-ATT, line 20, or Form IT-203-ATT, line 19.
- **Fiduciaries** — Include the total addback(s) on Form IT-205, line 12.

Part 3 — Information from your 2005 Canadian federal and/or provincial returns

You **must** complete this section. If you paid tax to a province other than Quebec, use the *Canada* column. If you paid tax to Quebec, use only the *Quebec* column.

Line 46 — Enter your total Canadian tax, including provincial tax.

Line 47 — Enter the amount of your prepayments to Canada/Quebec. Prepayments include income tax deducted or withheld at source (from all information slips) and tax paid in installments.

Line 49 — Enter the balance due, if any, shown on the 2005 return you filed with Canada/Quebec. The balance due is the amount you paid with your return after credit for taxes withheld or deducted, taxes paid in installments and any other prepayments.