



Instructions for Form CT-34-SH

New York S Corporation Shareholders' Information Schedule

CT-34-SH-I

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. 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.

Filing requirements

You must attach Form CT-34-SH to one of the following returns: Form CT-3-S or CT-32-S.

Attach a federal Schedule K-1, filed with federal Form 1120S, for each shareholder. To determine the amount reported for personal income tax purposes, each **nonresident** shareholder must determine the amount of business and investment income, losses, and deductions reported on federal Schedule K-1 and derived from New York State sources by using the business allocation percentage or investment allocation percentage (if applicable) from your franchise tax return.

Schedule A — Shareholders' New York State modifications and credits

Part 1 — Total shareholder modifications related to S corporation items

Each shareholder's pro rata share of the following modifications must be added to or subtracted from each shareholder's federal adjusted gross income or federal itemized deductions on his or her individual New York State income tax return to determine his or her New York State income and New York State itemized deductions, respectively.

If a New York S corporation is on a fiscal-year basis, the amount of any listed modification for the shareholders is their pro rata share for the S corporation year ending within the tax year of each shareholder.

Note: Use **lines 1 through 5** to list only those additions or subtractions that apply to federal adjusted gross income on the individual returns of shareholders. Use **lines 6 and 7** to list those additions or subtractions that apply to federal itemized deductions.

Line 1 — New York franchise taxes

Enter the Article 9-A or Article 32 corporate franchise tax, including the applicable fixed dollar minimum tax (Article 9-A) or the \$250 fixed dollar minimum (Article 32), that was deducted by the S corporation on its federal return (section 612(b)(3)). See subtraction S-14 on page 2.

Line 2 — Federal depreciation deduction

Enter the federal depreciation deduction from Form CT-399, *Depreciation Adjustment Schedule*, line 10, column A (section 612(b)(8), (25), and (27)).

Line 3 — Other additions

Identify by item number on a separate schedule any of the following additions that apply to the items of New York S corporation income, loss, and deduction, and enter the total of these additions on line 3.

A-1 State and local bond interest — Interest income on state and local bonds (except those of New York State and its political subdivisions) to the extent excluded from federal income (section 612(b)(1)).

A-2 Exempt federal interest — Interest or dividend income on bonds or securities of any United States authority, commission, or instrumentality that federal laws exempt from federal income tax, but not from state income taxes (section 612(b)(2)).

A-3 Expenses relating to exempt income — Amounts deducted for interest on loans used to buy bonds and securities whose interest is exempt from New York State tax, expenses relating to income exempt from New York State tax, and amortization of bond premium whose bond interest is exempt from New York State tax (section 612(b)(4) and (5)).

A-4 New York optional depreciation — Any amount that has to be added to federal income if you made an election under the Tax Law, for tax years beginning before 1987, for additional New York depreciation or research and development expenditures, waste treatment facility expenditures, air pollution control equipment expenditures, or acid deposition control equipment (section 612(b)(6)). See subtraction S-9 on page 2.

A-5 Percentage depletion — Any amount deducted for percentage depletion on mines, oil and gas wells, and other natural deposits (section 612(b)(10)).

A-6 Safe harbor leases — Any amount deducted in figuring federal income (except for mass transit vehicles) solely because of an election made under Internal Revenue Code (IRC) section 168(f)(8), as it was in effect for agreements entered into prior to January 1, 1984 (section 612(b)(23)).

A-7 Safe harbor leases — Any amount that would have been included in federal income (except for mass transit vehicles) had you not made the election under IRC section 168(f)(8), as it was in effect for agreements entered into prior to January 1, 1984 (section 612(b)(24)).

A-8 Reduction for S corporation taxes — The S corporation's reductions for the federal tax on certain built-in gains and certain passive investment income (section 612(b)(18)).

A-9 New York special additional mortgage recording tax — The amount of special additional mortgage recording tax paid by the corporation in a tax year beginning before 1994, when the property for which the tax was paid is sold or disposed of at a gain or loss, and the basis of such property was not adjusted by the special additional mortgage recording tax credit (section 612(b)(16)).

A-10 New business investment — deferral recognition — The amount of capital gain deferred on the sale of a capital asset if new business investment property is sold (section 612(b)(22)).

A-11 Qualified emerging technology investments (QETI) — The amount previously deferred when the reinvestment in a New York qualified emerging technology company that qualified the corporation for that deferral is sold, if the corporation was a New York S corporation when it elected to defer the gain from the sale of the QETI (section 612(b)(35)).

A-12 Related members — Amount of related member royalty expense required to be added back pursuant to Tax Law section 612(r).

A-13 Sport utility vehicle (SUV) expense deduction — The amount claimed in computing federal taxable income (FTI) as an IRC section 179 deduction for an SUV that weighs more than 6,000 pounds (section 612(b)(36)).

A-14 Environmental remediation insurance premiums — If you are claiming an environmental remediation insurance credit, you must include on this line the amount of premiums paid for environmental remediation insurance and deducted in determining FTI, to the extent of the amount of the credit allowed (section 612(b)(37)).

Line 4 — Allowable New York depreciation

Enter the total allowable New York depreciation from Form CT-399, line 10, column B (section 612(c)(16), (26), and (28)).

Line 5 — Other subtractions

Identify by item number on a separate schedule any of the following subtractions that apply to the items of New York S corporation income, loss, and deductions; enter the total of these subtractions on line 5.

S-1 Federal bond interest — Interest income on bonds or other obligations of the United States government included in S corporation income. Include qualified dividends from regulated investment companies (mutual funds) that invest in obligations of the United States government and meet the 50% asset requirement (section 612(c)(1)).

S-2 Federal instrumentality income — Interest or dividend income on bonds or securities of any United States authority, commission, or instrumentality included in S corporation income, but exempt from state income taxes under federal laws (section 612(c)(2)).

S-3 New York exempt interest — Interest or dividends included in S corporation income on bonds or securities exempt from New York State income taxes under the laws of this state (section 612(c)(6)).

S-4 Interest expense on federal exempt income — Interest expense on money borrowed to buy or carry bonds or securities, the income from which is subject to New York State income tax but exempt from federal income tax, provided this interest was a business expense for the tax year and the S corporation did not deduct the expense from income on its federal return (section 612(c)(9)).

S-5 Other expenses on federal exempt income — Ordinary and necessary business expenses paid or incurred during the tax year in connection with income, or property held to produce income, that is subject to New York State income tax but exempt from federal income tax, provided the S corporation did not deduct the expenses from income on its federal return (section 612(c)(10)).

S-6 Bond premium amortization — Amortization of bond premium attributable to the tax year on any bond whose interest income is subject to New York State income tax but exempt from federal income tax, provided this amortization was a business expense for the tax year and the S corporation did not deduct the expense from income on its federal return (section 612(c)(10)).

S-7 Federal employment credit wages — The amount of wages and salaries paid or incurred during the tax year for which a salaries deduction is not allowed when claiming a federal employment credit (section 612(c)(15)).

S-8 Cost depletion — Cost depletion figured according to federal tax law on property where percentage depletion (addition A-5) was added on line 3 (section 612(c)(13)).

S-9 New York optional depreciation — Special depreciation expenditures or carryover of research and development expenditures incurred in tax years beginning before 1987 in connection with depreciable tangible business property located in New York State (section 612(c)(11)). For more information, see Forms IT-211, *Special Depreciation Schedule*, and IT-211-I, *Instructions for Form IT-211*. Also see addition A-4 on the front page of these instructions.

S-10 Safe harbor leases — Any amount that was included in federal income (except for mass transit vehicles) solely because of an election made under IRC section 168(f)(8), as it was in effect for agreements entered into prior to January 1, 1984 (section 612(c)(24)).

S-11 Safe harbor leases — Any amount that could have been excluded from federal income (except for mass transit vehicles) had you not made the election under IRC section 168(f)(8), as it was in effect for agreements entered into prior to January 1, 1984 (section 612(c)(25)).

S-12 Federal-state basis differentials — The part of any gain (but limited to the difference in basis) included in federal income from the sale or other disposition of (1) property that had a higher basis for New York State income tax than for federal income tax purposes

on December 31, 1959 (or on the last day of a fiscal year ending during 1960), and (2) property held in connection with mines, oil or gas wells, and other natural deposits that had a higher adjusted basis for New York State income tax than for federal income tax purposes (Tax Law sections 612(c)(4) and 612(c)(13)).

S-13 New business investment exclusion — The amount of gain from the sale of a New York State new business investment that was included in federal income (Tax Law section 612(c)(20)).

S-14 Franchise tax refunds — The amount of any refund or credit of the tax imposed under Tax Law Article 9-A for a New York S corporation tax year ending after 1990, or under Tax Law Article 32 for a New York S corporation tax year ending after 1996, to the extent the tax was added to the shareholders' federal income in a prior tax year under Tax Law section 612(b)(3).

S-15 Qualified emerging technologies investments (QETI) — The amount of gain included in federal income from the sale of a QETI that the New York S corporation elects to defer for New York purposes.

S-16 Related members — Amount of related member royalty income required to be subtracted pursuant to Tax Law section 612(r).

S-17 SUV expense deduction recapture — The amount recaptured, when computing FTI, for a previously deducted IRC section 179 expense, if the addition modification described in A-13 was made in the current or a prior tax year (section 612(c)(37)).

Other items

Note: Lines 6 and 7 should be used only for additions or subtractions to federal itemized deductions on the individual returns of shareholders and should exclude any amounts properly reportable on lines 3 and 5. Attach a statement identifying by item number any of the following additions or subtractions to the shareholders' federal itemized deductions that must be made as a result of New York S corporation items.

Line 6 — Additions to federal itemized deductions

- A. Interest expense on money borrowed to buy or carry bonds or securities subject to New York State income tax, but exempt from federal income tax, if this interest was not deducted on the federal return or subtracted on line 5.
- B. Ordinary and necessary expenses paid or incurred during the tax year in connection with income, or property held to produce income, that is subject to New York State income tax, but exempt from federal income tax, if these expenses were not deducted on the federal return or subtracted on line 5.
- C. Amortization of bond premium attributable to the tax year on any bond whose interest is subject to New York State income tax, but exempt from federal income tax if this amortization was not deducted on the federal return or subtracted on line 5.

Line 7 — Subtractions from federal itemized deductions

- A. State, local, and foreign income taxes properly deductible as a federal itemized deduction rather than a deduction for federal adjusted gross income.
- B. Interest expense on money borrowed to buy or carry bonds or securities whose income is exempt from New York State income tax, if not added on line 3.
- C. Ordinary and necessary expenses paid or incurred in connection with income or property held to produce income that is exempt from New York State income tax, if not added on line 3.
- D. Amortization of bond premium attributable to the tax year on any bond whose interest is exempt from New York State income tax, if not added on line 3.
- E. Premiums paid for long-term care insurance to the extent that the premiums were deducted in determining FTI.

Line 8 — New York State adjustments to federal tax preference items

See Form IT-220-I, *Instructions for Form IT-220*, for an explanation of the required adjustments.

Part 2 — Total S corporation New York State credits and taxes on early dispositions

Lines 9 through 46 — Enter on the appropriate line the amount of any tax credits originating this year, and the amount of recapture of any tax credit that originated in a tax year in which the corporation was a New York S corporation (*New York S year*). Shareholders must include their pro rata shares of each of these tax credits and recapture amounts in computing their personal income tax returns.

Do not include any recapture of a tax credit that originated in a tax year in which the corporation was a New York C corporation (*New York C year*). Include these amounts on the applicable line of your S corporation franchise tax return.

Tax credits that originate in a New York S year:

- flow through in pro rata shares to the individual shareholders of the New York S corporation under Article 22,
- cannot be applied against the New York State corporation franchise tax in a New York S year, and
- cannot be applied against the New York State corporation franchise tax in a New York C year.

Tax credits that originate in a New York C year:

- do not flow through to the individual shareholders of the New York C corporation under Article 22,
- cannot be applied against the New York State corporation franchise tax in a New York S year, and
- can be applied against the New York State corporation franchise tax in a New York C year.

Both a New York C year and a New York S year are counted as a tax year for the carryforward of tax credits.

Exception: The credit for the special additional mortgage recording tax is allowed to the corporation and does not flow through to the shareholders.

Lines 9 through 12 – Investment tax credits — The investment tax credit and retail enterprise investment tax credit are allowed at a reduced rate to shareholders of a New York S corporation. The rate is:

- 4% on property other than research and development property, and
- 7% on research and development property.

The credit for rehabilitation of historic barns is the amount of qualified rehabilitation expenditures multiplied by 25% (.25). Include on line 9 the amount of historic barn credit computed on Form CT-46-ATT, *Credit for Rehabilitation Expenses for Retail Enterprises and Historic Barns*.

When computing an investment tax credit on property placed in service on or after January 1, 1997, the shareholders of a New York S corporation may claim an employment incentive credit for each of the two years following the investment credit year. Include on line 9 the amount of employment incentive credit computed on Form CT-46.

Line 12 — If the credit was computed at a reduced rate, as above, the amount of recapture must be computed at the same reduced rate.

Lines 13 through 17 – Empire zone (EZ) tax credits — The EZ investment tax credit on Form CT-603, *Claim for EZ Investment Tax Credit and EZ Employment Incentive Credit*, is computed at a reduced rate of 8% for New York S corporations.

When computing an EZ investment tax credit on property placed in service on or after January 1, 1997, the shareholders of a New York S corporation may claim an EZ employment incentive credit for each of the three years following the investment credit year. Include on line 15 the amount of EZ employment incentive credit computed on Form CT-603.

Line 14a — Enter the amount from Form CT-602, Schedule A, line 3.

Line 14b — Enter the amount from Form CT-602, Schedule B, line 7.

Line 17 — If the credit was computed at a reduced rate as above, the amount of tax credit to be recaptured must be computed at the same reduced rate.

Lines 18 through 22 – Qualified empire zone enterprise (QEZE) tax credits

Line 18 — An S corporation that is passing through to its shareholders QEZE real property tax credit amounts passed through to the S corporation from a partnership must include on this line all amounts of credit received from each partnership.

Line 19 — An S corporation that is required to pass through to its shareholders amounts of recapture of QEZE real property tax credit that were passed through to the S corporation from a partnership must include on this line all amounts of recapture received from each partnership.

Lines 20, 21, and 22 — Only the employment increase factor, zone allocation factor, and benefit period factor of the S corporation itself, as reported on Form CT-604, should be reported on lines 20, 21, and 22. Therefore, an S corporation that is passing through to its shareholders the employment increase factor, zone allocation factor, and benefit period factor that were passed through to the S corporation from a partnership should not report these factors on lines 20, 21, and 22. However, the S corporation must provide all shareholders with the employment increase factor, zone allocation factor, and benefit period factor that was passed through to the S corporation from each partnership.

Lines 23 through 26 – Farmers' school tax credit

The shareholders use their pro rata shares of the amounts on lines 23 through 26 to claim the credit on Form IT-217, *Claim for Farmers' School Tax Credit*. Include on these lines any amounts of these items that have been passed through to the S corporation from a partnership.

Line 23 — *Qualified agricultural property* includes land and land improvements located in New York State that are used in agricultural production. It also includes property you purchased under a land sales contract that is considered owned by you if you are obligated under the land sales contract to pay school district property taxes on the purchased property, and you are entitled to deduct those taxes as a tax expense for federal income tax purposes.

A *land sales contract*, commonly referred to as an *installment land contract*, is an agreement to transfer land ownership in exchange for a series of principal and interest payments. The seller does not transfer formal title to the property to the buyer until all or a certain number of payments are made. In addition to an *installment land contract*, a land sales contract may also be referred to as *contract for deed*, *bond for deed*, *conditional sale of real estate*, *contract for sale of land*, and *land contract*. A lease with an option to purchase type arrangement is not a land sales contract.

Qualified agricultural property also includes structures and buildings (except for buildings used by the corporation for residential purposes) that are located on the land and used or occupied to carry out agricultural production.

A structure or building **qualifies** if it is used: (1) in the raising and production for sale of agricultural commodities; or (2) for the storage of agricultural commodities for sale at a future time; or (3) for the storage of supplies or for the storage or servicing of equipment necessary for agricultural production.

A structure or building **does not qualify** if it is used for: (1) the processing of agricultural commodities; (2) the retail merchandising of agricultural commodities; (3) the storage of commodities for the personal use of the corporation or its shareholders; or (4) the personal residence of any of the officers of the corporation.

Note: If you are producing maple syrup or cider, or selling wine from a farm winery, the buildings and structures used to process the sap into syrup, the apples into cider, or the grapes into wine are considered qualified agricultural property, even though the property is used in processing.

Processing means doing something to a farm commodity beyond what is needed to make it initially marketable. The mere sorting, washing, and packaging of commodities is not considered

processing. A *residence* includes a structure such as a house, a mobile home, and any other buildings associated with it, such as garages or sheds, that are used for residential purposes.

Note: Land and structures owned by the S corporation and used in agricultural production are qualified agricultural property even if the agricultural production is carried on by someone else. For example, if land and buildings owned by the S corporation are rented to another person who actually uses the property for agricultural production, then the land and buildings are qualified agricultural property for the S corporation.

For more information concerning qualified agricultural property, see Publication 51, *Questions and Answers on New York State's Farmers' School Tax Credit*, and Publication 51.1, *Update to Publication 51 Questions and Answers on New York State's Farmers' School Tax Credit*.

Line 24 — *Eligible taxes* are real property taxes levied by a school district on qualified agricultural property **owned** by the S corporation. Real property taxes levied by towns, villages, cities, or their municipal governments are not eligible taxes. Eligible taxes include school district taxes paid on qualified property the S corporation owns but rents to someone else. However, eligible taxes do not include school district taxes paid on qualified agricultural property you rent from someone else, even if the rental agreement provides that you must actually pay the taxes.

Real property taxes levied by a school district include all property taxes, special ad valorem levies, and special assessments levied by a school district. Also included are taxes levied by a school district for the support of local libraries. Penalties and interest are not included.

If the S corporation owns both qualified agricultural property and nonqualified agricultural property, and it receives only one school tax bill for all the property, it must apportion the total school taxes paid between the qualified and nonqualified property based upon the value of the property. The local assessor may be able to tell you the value of your qualified and nonqualified property. If the assessor is unable to provide this information, the corporation may use any other reasonable method to determine the value, such as basing the value on the recent sale price of similar property in the area. In either case, the S corporation must keep records to substantiate the allocation.

Do not include school taxes paid on property converted to nonqualified use during the year. (See the definition for *conversion to nonqualified use* under the line 25 instructions below.)

If the S corporation continues to own the property after the conversion, and the converted property is included as part of the total school tax bill, the S corporation may allocate the taxes to the converted property on the basis of the amount of acreage converted to the total acreage covered by the tax bill.

If the converted property is sold, the closing documents will show the amount of school taxes reimbursed to the S corporation by the buyer. The S corporation must reduce its current year's eligible taxes paid by the amount of these reimbursed taxes. For more information on eligible taxes, see Publications 51 and 51.1.

Line 25 — Enter any acres of property that were converted to nonqualified use during the tax year. *Conversion to nonqualified use* means an outward or affirmative act changing the use of the agricultural property. The idling, nonuse, or sale of the property is not by itself a conversion.

Example 1: *You sell 100 acres of land to a developer in tax year 2006. The developer actually builds a housing development on the land during the tax year, and as a result the land is no longer used in agricultural production. This would be considered a conversion to nonqualified use.*

Example 2: *You discontinue farming during 2006, but continue to hold the farm property for investment purposes. This would not constitute a conversion to nonqualified use.*

Example 3: *You sell qualified agricultural property to another person who continues to use the property in agricultural production. This would not constitute a conversion to nonqualified use.*

Line 51 — If you are claiming a tax credit for which no line is provided on Form CT-34-SH, enter the name(s) of the tax credit(s) and form number(s). Provide shareholders of the New York S corporation with their pro rata share of the credit(s) that can be claimed on their tax return.

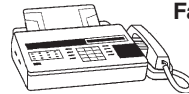
Schedule B — Shareholders' identifying information

You must complete Schedule B and provide the identifying information for each shareholder (photocopy Schedule B, as needed). Provide each shareholder's name and address (as it appears on the federal Schedule K-1 you attach), either the social security number (SSN) or the employer identification number (EIN), the shareholder's ownership percentage in the corporation, and the shareholder's residency status. Complete this information for each shareholder who held an interest in the S corporation at any time during the tax year.

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To order forms and publications: 1 800 462-8100

Corporation Tax Information Center: 1 888 698-2908

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



Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. If you do not own a 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 1 800 972-1233.

Privacy notification

The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 5-a, 171, 171-a, 287, 308, 429, 475, 505, 697, 1096, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i).

This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose.

Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.