



Instructions for Form CT-225

New York State Modifications

CT-225-I

General information

Who must file

You must complete Form CT-225 and attach it to Form CT-3, *General Business Corporation Franchise Tax Return*, CT-3-S, *New York S Corporation Franchise Tax Return*, or CT-33, *Life Insurance Corporation Franchise Tax Return*, to report certain New York additions to, and certain New York subtractions from, federal income that are entered on:

- Form CT-3, lines 8 and 15
- Form CT-34-SH, *New York S Corporation Shareholder's Information Schedule*, lines 3 and 5
- Form CT-33, lines 71 and 79

A corporation filing as a member of a combined group under Tax Law Article 9-A or 33 must file Form CT-225-A, *New York State Modifications (for filers of combined franchise tax returns)* and Form CT-225-A/B, *Subsidiary Detail Spreadsheet*, (if applicable), instead of Form CT-225.

General instructions

Form CT-225 is used to inform the Tax Department which additions to and subtractions from federal taxable income (FTI) a New York C corporation is reporting, where such additions and subtractions do not have a specific reporting line on Form CT-3 or CT-33. Since the New York C corporation is required to make the addition or subtraction modification, the required modifications are set forth in Tax Law Article 9-A (for general business corporations) or Article 33 (for life insurance corporations).

New York S corporations file Form CT-225 to inform the Tax Department which modifications are being reported in summation on Form CT-34-SH, lines 3 and 5. Therefore, when a New York S corporation reports a modification on this form, a **shareholder** of the New York S corporation must add or subtract his or her share of the modification from his or her federal adjusted gross income (AGI) when computing his or her New York AGI. Since the shareholder is **ultimately** required to make the addition or subtraction modification, the required modifications are set forth in Tax Law Article 22.

The addition and subtraction modifications are reported on this form using numbers assigned to each modification. Schedule A is used to report additions and Schedule B is used to report subtractions. See *New York State addition and subtraction modification charts* at the end of these instructions for a listing of the modifications. An **X** in a column under a specific form means the modification in that row may need to be reported by a filer of that specific form.

In either Schedule A or Schedule B, Part 1, use the modification number with the prefix of *A* or *S* to report modifications generated by the entity filing this Form CT-225. In either Schedule A or Schedule B, Part 2, use the modification number with the prefix of *EA* or *ES* to report that the filer's share of these modifications flow through to the entity filing this Form CT-225 from a partnership, estate, or trust.

You may have the same modification number listed in both Parts 1 and 2 of either Schedule A or B. For example, a corporation uses addition modification number A-212 in Schedule A, Part 1, for environmental remediation insurance premiums it deducted in computing federal income and for which it is taking a New York State tax credit. Then, the corporation

also enters number EA-212 in Schedule A, Part 2, for the amount of environmental remediation insurance premiums a partnership in which the corporation is a partner, has deducted in computing partnership income federally, when the partnership is allowed a New York State tax credit for those premiums and a share of the credit flowed through to the corporation.

Note: A corporation that is a qualified entity (or a corporate partner of a qualified entity) in an innovation hot spot must transfer to Form CT-225 the amount of income or gain attributable to the innovation hot spot(s) reported on Form CT-223, *Innovation Hot Spot Deduction*.

If you have more entries than there are lines in any part, submit a separate Form(s) CT-225 listing the other addition and/or subtraction modifications.

Line instructions

Corporations and S corporations

- Complete Schedule A, Part 1, to report certain New York State **additions** to federal income that did **not** flow through to you from a partnership, estate, or trust.
- Complete Schedule B, Part 1, to report certain New York State **subtractions** from federal income that did **not** flow through to you from a partnership, estate, or trust.

Corporate partners and beneficiaries

- Complete Schedule A, Part 2, to report your share of certain New York State **additions** to federal income from a partnership, estate, or trust.
- Complete Schedule B, Part 2, to report your share of certain New York State **subtractions** from federal income from a partnership, estate, or trust.

Corporate partners filing under Article 9-A: The amount of certain New York State additions and/or subtractions to enter from each partnership should be reported to you by the partnership on Form IT-204-CP, *New York Corporate Partner's Schedule K-1*.

Schedule A – Certain New York State additions to federal income

Part 1 – For certain additions to federal income that did not flow through from a partnership, estate, or trust

Lines 1a through 1p – Enter the applicable New York State addition modification number(s) and amount(s). See *New York State additions*.

Part 2 – Corporation's share of certain additions to federal income from a partnership, estate, or trust

Lines 3a through 3p – Enter the applicable New York State addition modification number(s) and amount(s). If you are a partner or beneficiary in more than one partnership, estate, or trust, the amount to enter for a specific other addition is the total amount of that specific addition that flows through from **all** partnerships, estates, or trusts.

Line 5 – Transfer the amount from this line to Form CT-3, line 8; Form CT-34-SH, line 3; or Form CT-33, line 71.

Schedule B – Certain New York State subtractions from federal income

Part 1 – For certain subtractions from federal income that did not flow through from a partnership, estate, or trust

Lines 6a through 6p – Enter the applicable New York State subtraction modification number(s) and amount(s). See *New York State subtractions*.

Part 2 – Corporation's share of certain subtractions from federal income from a partnership, estate, or trust

Lines 8a through 8p – Enter the applicable New York State subtraction modification number(s) and amount(s). If you are a partner or beneficiary in more than one partnership, estate, or trust, the amount to enter for a specific other subtraction is the total amount of that specific subtraction that flows through from all partnerships, estates, or trusts.

Line 10 – Transfer the amount from this line to Form CT-3, line 15; Form CT-34-SH, line 5; or Form CT-33, line 79.

New York State addition and subtraction modifications

New York State additions

A-102 Income from certain obligations of U.S. government agencies or instrumentalities (*CT-3-S filers only*) – If, during the tax year, any interest or dividend income from any U.S. government authority, commission, or instrumentality that federal laws exempt from federal income tax but do not exempt from state income tax was received or credited, then enter that income. If you are uncertain whether a particular federal bond or obligation is subject to state income tax, contact the Tax Department.

A-103 New York's 529 college savings program distributions (*CT-3-S filers only*) – If the account owner made a nonqualified withdrawal from an account established under New York's 529 college savings program, include the amount of the withdrawal, to the extent the withdrawal is attributable to a contribution previously deducted in computing New York taxable income. Also see S-103.

A withdrawal is nonqualified if:

- the funds are used for purposes other than the higher education of the designated beneficiary;
- the withdrawal is actually disbursed in cash or in kind from the qualified state tuition program, even if the amount withdrawn is reinvested in New York's 529 college savings program within the IRC 60-day rollover period; or
- on or after January 1, 2003, the funds are transferred from New York's 529 college savings program to another state's program (whether for the same beneficiary or for the benefit of another family member).

However, nonqualified withdrawals do not include any withdrawals made for the current tax year as a result of the death or disability of the designated beneficiary, regardless of how the funds are used.

Note: Transfers between accounts of family members not disbursed in cash or in-kind within New York's 529 college savings program are not considered distributions within the meaning of Tax Law, Article 22, section 612(b)(34) and are therefore not required to be added back as a nonqualified withdrawal.

A-105 Federal deduction for special additional mortgage recording tax (*CT-3 and CT-33 filers only*) – You must include the amount claimed as a New York State tax credit that was also deducted when computing federal income.

A-106 Special additional mortgage recording tax basis adjustment (*CT-3 and CT-33 filers only*) – The gain or loss on the sale of real property on which the special additional mortgage recording tax credit was claimed that is included in the computation of federal income must be increased, in the case of a gain, or decreased in the case of a loss, when any portion of the credit was not reflected in the computation of the federal gain or loss.

A-109 New business investment; deferral recognition (*CT-3-S filers only*) – If, in any tax year beginning on or after January 1, 1982, and before 1988, you chose to subtract all or a portion of a long term capital gain from your federal income because that amount had been reinvested in a new New York business, and if that reinvestment was sold in the current tax year, then enter the amount that had been previously subtracted.

A-110 Qualified emerging technology investment (QETI) – If you elected to defer the gain from the sale of QETI, then you must add to your applicable federal income the amount previously deferred when the reinvestment in the New York qualified emerging technology company (QETC) that qualified you for that deferral is sold. Also see S-115.

A-111 Expenses relating to income exempt from New York State tax (*CT-3-S filers only*)

- If your federal income includes a deduction for interest expense on loans used to buy bonds, obligations, or securities whose interest income is taxable for federal purposes but exempt from New York State tax, then include that interest expense.
- If your federal income includes a deduction for the amortization of bond premiums on bonds whose interest income is taxable for federal purposes but exempt from New York State tax, then include that amortized premium.
- If your federal income includes a deduction for expenses relating to the production or collection of income exempt from New York State tax, then include those expenses.

A-113 Interest income on state and local bonds and obligations (but not those of New York State or its local governments) (*CT-3-S filers only*) – Interest income on obligations of other states or political subdivisions of those states that is exempt from federal income tax is subject to New York State tax. This includes interest income on state and local bonds (but not those of New York State and local governments within the state), interest and dividend income from tax-exempt bond mutual funds, and tax-exempt money market funds that invest in obligations of states other than New York.

A-114 Form 4970 accumulation distribution of trusts (*CT-3-S filers only*) – If you filed federal Form 4970, *Tax on Accumulation Distribution of Trusts*, you must include the amount of income you reported on Form 4970, line 1, less any interest income on state and local bonds and obligations on New York State and its local governments (that was included on Form 4970, line 5).

A-117 Incomplete gift non-grantor trust (*CT-3-S filers only*) – If you transferred property to an incomplete gift non-grantor trust, then include the income (less deductions) of the trust, to the extent such income would be taken into account in computing your applicable federal income if the trust in its entirety were treated as a grantor trust for federal tax purposes.

An incomplete gift non-grantor trust means a resident trust that does not qualify as a grantor trust under IRC sections 671 through 679 and the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC section 2511 and its regulations. Do not include any income from a trust that was liquidated before June 1, 2014.

A-201 Personal income taxes and unincorporated business taxes deducted in determining partnership ordinary income (*CT-3-S filers that are corporate partners only*)

A-202 Percentage depletion (*CT-3-S filers only*) – You must include any amount deducted in computing your federal income for percentage depletion on mines, oil and gas wells, and other natural deposits. Also see S-206.

A-203 Safe harbor leases (*CT-3 and CT-3-S filers only*) – You must include any amount you claimed as a deduction attributable to a safe harbor lease (except for mass transit vehicles) in computing your applicable federal income solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983. Also see A-204, S-208, and S-209.

A-204 Safe harbor leases (*CT-3 and CT-3-S filers only*) – You must include any amount you would have been required to include in the computation of your applicable federal income attributable to a safe harbor lease (except for mass transit vehicles) if you had not made the election permitted under IRC section 168(f)(8) as it was in effect on December 31, 1983. Also see S-208, S-209, and A-203.

A-205 Accelerated cost recovery system (ACRS) deduction (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, *New York State Depreciation Schedule*, and you must attach it to Form CT-34-SH.

A-206 ACRS year of disposition adjustment (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, Part 2 to determine the amount, if any, to include on this line. Attach Form IT-399 to Form CT-34-SH.

A-207 Federal deduction for farmers' school taxes (*CT-3 filers only*) – You must include the amount of real property taxes paid on qualified agricultural property and deducted in determining FTI, to the extent of the amount of the credit allowed under Tax Law, Article 9-A, section 210.22.

A-208 Federal IRC section 179 deduction for a sport utility vehicle (SUV) (*CT-3 and CT-3-S filers only*) – If you are not an eligible farmer, you are required to add back the amount of the IRC section 179 deduction for an SUV that weighs more than 6,000 pounds claimed in computing federal income.

A-209 IRC section 168(k) property depreciation (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*, Part 1 to determine the amount to include in this addition. Attach Form IT-398 to Form CT-34-SH.

A-210 Special depreciation (*CT-3 and CT-3-S filers that are corporate partners only*)

A-211 Royalty payment(s) – You must include royalty payments directly or indirectly paid, accrued, or incurred in connection with one or more direct or indirect transactions with one or more related members during the tax year to the extent deductible in calculating your applicable federal income. Exceptions to this addback apply. For more information on the exceptions, see TSB-M-13(6)C, *Summary of Budget Bill Corporation Tax Changes Enacted in 2013 – Effective for Tax Years 2013 and After*. If you believe you do not have to make this addback as a result of one of the exceptions, attach

a statement to your return explaining how you meet each requirement for the exception.

A-212 Federal deduction for environmental remediation insurance premiums – You must include the amount of premiums paid for environmental remediation insurance and deducted in determining federal income, to the extent of the amount of the credit allowed under Tax Law, Article 1, section 23.

A-213 IRC section 199 deduction (*CT-3 and CT-33 filers only*) – Include the amount of the deduction for domestic production activities from your federal return that is required to be added back under Tax Law, Article 9-A, section 208.9(b)(19) or Article 33, section 1503(b)(2)(u).

A-214 Federal deduction for the metropolitan commuter transportation mobility tax (MCTMT) under Tax Law Article 23 (*CT-3-S and CT-33 filers only*) – If you claimed a federal deduction for the MCTMT, then you must enter the amount deducted in determining federal income.

A-216 Federal deduction for real property taxes of manufacturers (*CT-3 and CT-3-S filers only*) – If you claimed any federal deduction for real property taxes and you also claimed the manufacturer's real property tax credit, Form CT-641, *Manufacturer's Real Property Tax Credit*, then enter the amount of the federal deduction for real property taxes used as the basis of the calculation of such credit.

A-217 Federal deduction for Tax Law section 186-e tax that flow through to a START-UP NY business (*CT-3 and CT-3-S filers only*) – If you claimed any federal deduction for the New York State excise tax on telecommunication services that were passed on to you by your telecommunication provider, and you also claimed the START-UP NY telecommunication services excise tax credit on Form CT-640, *START-UP NY Telecommunication Services Excise Tax Credit*, then enter the amount of the federal deduction for excise taxes of telecommunication services used as the basis of the calculation of such credit.

A-301 Reduction for S corporation taxes (*CT-3-S filers only*) – You must include the New York State S corporation's reductions for federal taxes imposed on built-in gains and reductions for federal taxes imposed on excess net passive income as described in IRC sections 1366(f)(2) and (3).

A-501 Optional depreciation (*CT-3 and CT-3-S filers completing Form CT-324 only*) – If you have claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, you must include any depreciation and any federal losses on the disposition of that property that you deducted from gross income when determining FTI. Make the adjustment for the New York gain or loss on qualified New York State property on Form CT-3, line 23. Attach Form CT-324, *Schedule of Optional Depreciation on Qualified New York Property*.

A-502 Addback pursuant to Tax Law section 208.9(c-2) and 208.9(c-3) (*CT-3 filers only*) – Qualified public utility corporations, qualified power producers, and qualified pipeline corporations, see the instructions for Form CT-3-ATT, Schedule D in Form CT-3/4-I, *Instructions for Forms CT-4, CT-3, and CT-3-ATT*.

A-503 Worldwide net income and losses (*CT-3 filers only*) – A corporation organized outside the United States must include all income from sources outside the United States, minus all allowable deductions attributable to it, that was not included in FTI.

A-601 IRC section 847(1) (CT-33 filers only) – Include the amount deducted from federal gross income on federal Form 1120-PC as a result of IRC section 847(1).

A-602 Unearned premiums (CT-33 filers only) – Include the amount of unearned premiums on outstanding business at the end of the preceding tax year excluded from premiums earned as a result of IRC sections 832(b)(4)(B), 832(b)(7)(B)(i), and 832(b)(8)(A)(i).

A-603 Discounted unpaid losses (CT-33 filers only) – Include the difference between the amount of discounted unpaid losses at the end of the preceding tax year used in the computation of losses incurred as a result of IRC section 832(b)(5)(A), and the amount of unpaid losses at the end of the preceding tax year that would have been used in such computation if such losses were not discounted for federal income tax purposes. Provide a copy of the loss reserves discount summary schedule used to compute discounted unpaid losses from federal Form 1120-PC and a copy of Schedule P, *Analysis of Losses and Loss Expenses, Part 1, Summary*, from the prior year's *Annual Statement*.

A-901 Beneficiary's share of fiduciary adjustment (CT-3-S filers only) – If the S corporation has income from an estate or trust, any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment. If the adjustment is a net addition, you must include this amount in Schedule A, Part 2. Also see S-901.

New York State subtractions

S-102 Build America Bond (BAB) interest (CT-3-S filers only) – Include any interest income attributable to a BAB issued by New York State or its local governments that was included in federal income.

S-103 New York's 529 college savings program deduction (CT-3-S filers only) – If the account owner made contributions as the account owner to one or more 529 college savings program account(s) established under New York's 529 college savings program, and the contributions were not deductible or eligible for a credit for federal income tax purposes, include that amount in this subtraction.

S-104 New York's 529 college savings program distributions (CT-3-S filers only) – If the account owner made a withdrawal from an account established under New York's 529 college savings program, and part of the withdrawal was included in its federal income, you must include in this subtraction the amount included in federal income.

S-108 Taxable refunds or credits of state tax (CT-3-S filers only) – Include the amount of any refund or credit of the tax imposed under Tax Law Article 23 that was properly included as income for federal income tax purposes by the New York S corporation, and for which no exclusion or deduction was allowed in computing the federal income of the New York S corporation for any prior year.

S-110 Contributions for Executive Mansion, natural and historical resources (not deducted elsewhere) (CT-3-S filers only) – Include contributions you made, not deducted elsewhere, (a) to preserve, improve, and promote the Executive Mansion as a New York State historical resource, or (b) to the Natural Heritage Trust to preserve and improve the natural and historical resources of New York State. **Do not** include amounts you deducted in determining federal income.

S-111 Distributions made to victims or targets of Nazi persecution – Include the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of these

victims or targets, if included in your applicable federal income. **Do not** include amounts received from assets acquired with such assets or with the proceeds from the sale (Tax Law, Article 1, section 13).

S-112 Items of income related to assets stolen from or otherwise lost to a victim of Nazi persecution (CT-3-S filers only) – Include items of income included in federal income attributable to, derived from, or in any way related to assets stolen from, hidden from, or otherwise lost to a victim of Nazi persecution immediately prior to, during, and immediately after World War II, including but not limited to interest on the proceeds receivable as insurance under policies issued to a victim of Nazi persecution by European insurance companies immediately prior to and during World War II, or as a spouse or heir of such victim.

However, do not include income attributable to assets acquired with assets as described above or with the proceeds from the sale of any asset described above. Also, do not include any income if you were not the first recipient of the asset, or if you are not considered a victim of Nazi persecution, or a spouse or descendent of a victim.

S-114 Gain to be subtracted from the sale of a new business investment included in federal income (CT-3-S filers only) – Include the amount of gain from the sale of a New York State new business to the extent that it was included in federal income.

S-115 Qualified emerging technology investment (QETI) – You may defer the gain on the sale of QETI that are (1) held for more than 36 months and (2) rolled over into the purchase of a QETI within 365 days. A replacement QETI must be purchased within the 365-day period beginning on the date of sale. Gain is not deferred and must be recognized to the extent that the amount realized on the sale of the original QETI exceeds the cost of a replacement QETI. The gain deferral applies to any QETI sold on or after March 12, 1998, that meets the holding-period criteria. You must add back the gain deferred in the year the replacement QETI is sold.

If you elect the gain deferral, deduct from your applicable federal income the amount of the gain deferral (to the extent the gain is included in federal income). If purchase of the replacement QETI within the 365-day period occurs in the same tax year as the sale of the original QETI, or in the following tax year and before the date the corporation's franchise tax return is filed, take the deduction on that return. If purchase of the replacement QETI within the 365-day period occurs in the following tax year and on or after the date the corporation's franchise tax return is filed, you must file an amended return to claim the deduction.

For more information, see TSB-M-98(7)C, 1998 *Summary of Corporation Tax Legislative Changes*, pages 5 and 6.

S-116 Sales or disposition of assets acquired before 1960 with greater state than federal basis (CT-3-S filers only) – When federal taxable gains are realized from the sale of certain assets that have a greater adjusted basis for New York State tax purposes, subtraction adjustments must be made to reduce the gain for New York State tax purposes.

If you are reporting a gain for federal tax purposes that was from either:

- property that had a greater adjusted basis for New York State income tax purposes than for federal income tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960); or
- property that was held in connection with mines, oil or gas wells, and other natural deposits and that had a greater adjusted basis for New York State income tax purposes than for federal tax purposes when sold;

include on this line the lesser of:

- the gain itself; or
- the difference in the adjusted basis.

S-117 Income earned before 1960 and previously reported to New York State (*CT-3-S filers only*)

S-121 Certain investment income from U.S. government agencies (*CT-3-S filers only*) – Include any interest or dividend income on bonds or securities of any U.S. authority, commission, or instrumentality that is exempt from state income taxes under federal laws, but is included in federal income.

S-123 Certain investment income exempted by other New York State laws (*CT-3-S filers only*) – Include any interest or dividend income from any obligations or securities authorized to be issued and exempt from state taxation under the laws of New York State. (For example, income received from bonds, mortgages, and income debenture certificates of limited dividend housing corporations organized under the Private Housing Finance Law.)

S-125 Interest income on U.S. government bonds (*CT-3-S filers only*) – Include interest income on bonds or other obligations of the U.S. government included in S corporation income. Dividends received from a regulated investment company (mutual fund) that invests in obligations of the U.S. government and meet the 50% asset requirement each quarter qualify for this subtraction. The portion of dividends that may be subtracted is based upon the portion of taxable income received by the mutual fund that is derived from federal obligations.

S-131 Incomplete gift non-grantor trust (*CT-3-S filers only*) – If the S corporation is a beneficiary that received income from an incomplete gift non-grantor trust and the trust was terminated and all assets were distributed before June 1, 2014, then enter the income from the trust to the extent it was included in federal income.

An incomplete gift non-grantor trust means a resident trust that does not qualify as a grantor trust under IRC sections 671 through 679 and the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC section 2511 and its regulations.

S-201 Small business modification (*CT-3-S filers only*) – If the New York S corporation is a farm business that employs one or more persons during the tax year, and has net farm income of greater than zero but less than \$250,000, then you may deduct an amount equal to 3% of the net items of income, gain, loss and deduction attributable to the farm business included in your federal adjusted gross income (but not less than zero). A New York S corporation that is a farm business must compute the subtraction modification based on the net business income at the entity level. For more information, see TSB-M-14(3)C,(5)I, *Small Business Subtraction Modification*.

S-202 Interest expense on loans used to buy federal tax exempt obligations subject to New York State tax (*CT-3-S filers only*) – Include interest expense on money borrowed to buy or carry bonds or securities, the income of which is subject to New York State tax but exempt from federal income tax, provided this interest was a business expense for the tax year and the expense was not deducted from income on the federal return.

S-203 Expenses (other than interest expense) connected with federal tax exempt income subject to New York State tax (*CT-3-S filers only*) – Include ordinary and necessary business expenses paid or incurred during the tax year in connection with income, or property used to produce income, that is subject to New York State income tax but exempt from

federal income tax, provided that the expenses were not deducted from income on the federal return.

S-204 Amortizable bond premiums (*CT-3-S filers only*) – Include amortization of bond premiums 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 expense was not deducted from income on the federal return.

S-205 Wage and salary expenses allowed as federal credits but not as federal expenses – Include the amount of wages disallowed under IRC section 280C in the computation of your applicable federal income because you claimed a federal credit. Attach a copy of the appropriate federal credit form.

S-206 Cost depletion (*CT-3-S filers only*) – If you are making addition A-202 for any percentage depletion deducted for federal purposes, then enter the cost depletion that IRC section 611 would allow on that property without any reference to either IRC section 613 or 613-A.

S-207 Special depreciation expenditures or carryover of research and development expenditures (*CT-3 and CT-3-S filers that are corporate partners only*)

S-208 Safe harbor leases (*CT-3 and CT-3-S filers only*) – Include all amounts included in your applicable federal income solely as a result of an election made under IRC section 168(f)(8) as it was in effect on December 31, 1983. Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from this adjustment.

S-209 Safe harbor leases (*CT-3 and CT-3-S filers only*) – Include all amounts you could have excluded from your applicable federal income if you had not made the election provided for in IRC section 168(f)(8) as it was in effect on December 31, 1983. Leases for qualified mass-commuting vehicles as defined in IRC section 103(b)(9) are exempt from this adjustment.

S-210 ACRS depreciation (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, and you must attach it to Form CT-34-SH.

S-211 ACRS year of disposition adjustment (*CT-3-S filers that are corporate partners only*) – The partnership must complete Form IT-399, Part 2 to determine the amount, if any, to be included in this subtraction, and you must attach it to Form CT-34-SH.

S-212 Federal IRC section 179 deduction recapture for a sport utility vehicle (SUV) (*CT-3 and CT-3-S filers only*) – If you previously claimed an IRC section 179 deduction with respect to an SUV, you must include the amount of that deduction that was recaptured in computing federal income.

S-213 IRC section 168(k) property depreciation (*CT-3-S filers that are corporate partners only*)

S-214 IRC section 168(k) property (year of disposition adjustment) (*CT-3-S filers that are corporate partners only*)

S-215 Refund of qualified empire zone enterprise (QEZE) credit (*CT-3 and CT-33 filers only*) – Include the amount of refund of the qualified empire zone enterprise (QEZE) credit for real property taxes that is included in your applicable federal income. See TSB-M-10(9)C, (15)I, *New York State Tax Treatment of Refunds of the Qualified Empire Zone Enterprise (QEZE) Credit for Real Property Taxes*.

S-216 New York State innovation hot spot deduction (*CT-3 and CT-3-S filers only*) – Include any income or gain attributable to the innovation hot spot (as reported on Form CT-223, *Innovation Hot Spot Deduction*, column G). A taxpayer who

claims this benefit is no longer eligible for any other New York State exemption, deduction, credit, or refund under the Tax Law to the extent that such exemption, deduction, credit, or refund is attributable to the business operations of a tenant in, or as part of, the New York State innovation hot spot. Claiming this subtraction represents an irrevocable election.

S-303 Franchise tax refunds (*CT-3-S filers only*) – Include 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 included in federal income in a prior tax year under Tax Law section 612(b)(3).

S-501 Taxable refunds or credits of certain taxes (*CT-3 and CT-33 filers only*) – Include any refund or credit of a tax that was previously added back on:

- Form CT-3, line 6 **other than** taxes paid or accrued to the United States, its possessions, other U.S. states, their political subdivisions, any foreign country, and the District of Columbia; or
- Form CT-33, line 68 or 71;

that is now being properly included as income for federal income tax purposes, and for which no exclusion or deduction was allowed in determining the taxpayer's ENI for any prior year. **Do not** include on this line any refund or credit of tax that was used to offset an addition of tax on Form CT-3, line 6, or Form CT-33, line 68 or 71. Do not include any refund or credit of New York City taxes.

S-502 Optional depreciation (*CT-3 and CT-3-S filers completing Form CT-324 only*) – If you have claimed optional depreciation in prior years on certain property acquired from January 1, 1964, through December 31, 1968, you must include all federal gain on the disposition of qualified property that was included in FTI. Make the adjustment for the New York State gain or loss on qualified New York State property on Form CT-3, line 23. Attach Form CT-324.

S-503 Deductions pursuant to Tax Law sections 208.9(c-2) and 208.9(c-3) (*CT-3 filers only*) – Qualified public utility corporations, qualified power producers, and qualified pipeline corporations: see the instructions for Form CT-3-ATT, Schedule D.

S-504 Receipts from the operation of school buses (*CT-3 filers only*) – Include all receipts from the transportation of pupils, teachers, and others acting in a supervisory capacity to and from school or school activities, minus any deductions allowed in computing FTI that are directly or indirectly attributable to those receipts.

S-505 REIT deduction (*CT-3 filers only*) – Enter the total dividends paid deduction from federal Form 1120-REIT, line 21b and the IRC section 857(b)(2)(E) deduction from Form 1120-REIT, line 21c.

S-506 RIC deduction (*CT-3 filers only*) – Enter the total dividends paid deduction from federal Form 1120-RIC, line 25(a) and the IRC sections 851(d)(2) and 851(i) deduction from Form 1120-RIC, line 25(b).

S-601 Unearned premiums (*CT-33 filers only*) – Include the amount of unearned premiums on outstanding business at the end of the tax year included in premiums earned as a result of IRC sections 832(b)(4)(B), 832(b)(7)(B)(i) and 832(b)(8)(A)(i).

S-602 Discounted unpaid losses (*CT-33 filers only*) – Include the difference between the amount of discounted unpaid losses at the end of the tax year used in the computation of losses incurred as a result of IRC section 832(b)(5)(A), and the amount of unpaid losses at the end of the tax year that would have been used in such computation if such losses were not discounted for

federal income tax purposes. Provide a copy of the loss reserves discount summary schedule used to compute discounted unpaid losses from federal Form 1120-PC, and a copy of *Schedule P, Analysis of Losses and Loss Adjustment Expenses, Part 1, Summary*, from the current year's *Annual Statement*.

S-603 IRC section 847(5) and 847(6) (*CT-33 filers only*) – Include the amount included in federal gross income as a result of IRC sections 847(5) and 847(6).

S-604 IRC section 832(b)(5)(B) (*CT-33 filers only*) – Include the amount by which losses incurred were reduced as a result of IRC section 832(b)(5)(B).

S-901 Beneficiary's share of fiduciary adjustment (*CT-3-S filers only*) – If the S corporation has income from an estate or trust, any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment. If the adjustment is a net subtraction, you must include this amount in Schedule B, Part 2. Also see A-901.

New York State addition and subtraction modification charts

The charts below are a quick reference guide showing (with an **X** in the column) each modification and if the modification applies to your form.

Addition modifications				
Modification number	Description	CT-3	CT-33	CT-34-SH
A-102	Income from certain obligations of U.S. government agencies or instrumentalities			X
A-103	New York's 529 college savings program distributions			X
A-105	Special additional mortgage recording tax deduction	X	X	
A-106	Special additional mortgage recording tax basis adjustment	X	X	
A-109	New business investment; deferral recognition			X
A-110	Qualified emerging technology investments (QETI)	X	X	X
A-111	Interest expense on loans used to buy obligations exempt from New York State tax, amortized bond premium on bonds that are exempt from New York State tax and other expenses relating to the production of income exempt from New York State tax			X
A-113	Interest income on state and local bonds and obligations			X
A-114	Form 4970 accumulation distribution of trusts			X
A-117	Incomplete gift non-grantor trust			X
A-201	Personal income taxes and unincorporated business taxes deducted in determining federal adjusted gross income			X
A-202	Percentage depletion			X
A-203	Safe harbor leases	X		X
A-204	Safe harbor leases	X		X
A-205	Accelerated cost recovery system (ACRS) deduction			X
A-206	ACRS property; year of disposition adjustment			X
A-207	Farmers' school tax credit	X		
A-208	Sport utility vehicle expense deduction	X		X
A-209	IRC section 168(k) property depreciation			X
A-210	Special depreciation	X		X
A-211	Royalty and interest payments made to a related member or members	X	X	X
A-212	Environmental remediation insurance premiums	X	X	X
A-213	IRC section 199 deduction	X	X	
A-214	Article 23 metropolitan commuter transportation mobility tax (MCTMT)		X	X
A-216	Manufacturer's real property tax	X		X
A-217	START-UP NY excise tax on telecommunication services	X		X
A-301	Reduction for S corporation taxes			X
A-501	Optional depreciation	X		X
A-502	Qualified public utility corporations, qualified power producers, and pipeline corps	X		
A-503	Worldwide net income and losses	X		
A-601	IRC section 847(1)		X	
A-602	Unearned premiums		X	
A-603	Discounted unpaid losses		X	
A-901	Beneficiary's share of fiduciary adjustment			X

Subtraction modifications				
Modification number	Description	CT-3	CT-33	CT-34-SH
S-102	Build America Bond (BAB) interest			X
S-103	New York's 529 college savings program deduction			X
S-104	New York's 529 college savings program distributions			X
S-108	Income tax refunds			X
S-110	Contributions for Executive Mansion, natural and historical resources (not deducted elsewhere)			X
S-111	Distributions made to a victim or target of Nazi persecution	X	X	X
S-112	Items of income related to assets stolen from or otherwise lost to a victim of Nazi persecution			X
S-114	Gain to be subtracted from the sale of a new business investment reported on your federal income tax return			X
S-115	Qualified emerging technology investment (QETI)	X	X	X
S-116	Sales or dispositions of assets acquired before 1960 with greater state than federal basis			X
S-117	Income earned before 1960 and previously reported to New York State			X
S-121	Certain investment income from U.S. government agencies			X
S-123	Certain investment income exempted by other New York State laws			X
S-125	Interest income on U.S. government bonds			X
S-131	Incomplete gift non-grantor trust			X
S-201	Small business modification			X
S-202	Interest expense on loans used to buy federal tax exempt obligations subject to New York State tax			X
S-203	Expenses (other than interest expense) connected with federal tax exempt income subject to New York State tax			X
S-204	Amortizable bond premiums			X
S-205	Wage and salary expense allowed as federal credits but not as federal expenses	X	X	X
S-206	Cost depletion			X
S-207	Special depreciation expenditures or carryover of research and development activities	X		X
S-208	Safe harbor leases	X		X
S-209	Safe harbor leases	X		X
S-210	ACRS depreciation			X
S-211	ACRS year of disposition adjustment			X
S-212	Sport utility vehicle (SUV) expense deduction recapture	X		X
S-213	IRC section 168(k) property depreciation			X
S-214	Amount of IRC section 168(k) property deduction that is greater than the depreciation claimed for NYS (year of disposition adjustment)			X
S-215	Refund of QEZE credit for real property	X	X	
S-216	New York State innovation hot spot program	X		X
S-303	Franchise tax refunds			X
S-501	Taxable refunds or credits of state tax	X	X	
S-502	Optional depreciation	X		X
S-503	Qualified public utility corporations, qualified power producers, and pipeline corps	X		

Subtraction modifications <i>(continued)</i>				
Modification number	Description	CT-3	CT-33	CT-34-SH
S-504	Receipts from the operation of school buses	X		
S-505	REIT deduction	X		
S-506	RIC deduction	X		
S-601	Unearned premiums		X	
S-602	Discounted unpaid losses		X	
S-603	IRC sections 847(5) and 847(6)		X	
S-604	IRC section 832(b)(5)(B)		X	
S-901	Beneficiary's share of fiduciary adjustment			X

Need help? and Privacy notification

See Form CT-1, *Supplement to Corporation Tax Instructions*.
