



Instructions for Form IT-204

Partnership return and related forms

For 2014:

General changes

- **START-UP NY Program**

The START-UP NY program provides tax benefits to approved businesses that have located within tax-free NY areas and for certain employees of these businesses. The program is administered by Empire State Development (ESD). See our Web site for more information.

- **New reporting method for addition and subtraction modifications**

Partnerships must now report the addition and subtraction modifications using new Form IT-225, *New York State Modifications*. The total amount of other additions and other subtractions will continue to be reported on Form IT-204, lines 108 and 110. However, the individual amounts for these modifications will no longer be shown on Form IT-204 but on Form IT-225. See page 6 and Form IT-225 and its instructions.

- **Paid preparer exclusion code**

Paid preparers must now enter either their New York tax preparer registration identification number (NYTPRIN) or an exclusion code (if they are not required to register). See page 5 and our Web site.

- **Public Trust Act**

Any taxpayer who is convicted, or a shareholder of an S corporation or partner in a partnership which is convicted, of an offense defined in New York State Penal Law Article 200 (*Bribery Involving Public Servants and Related Offenses*) or 496 (*Corrupting the Government*), or section 195.20 (*Defrauding the Government*), is not eligible for any tax credit allowed under Tax Law Article 9, 9-A, 32, or 33, or any business tax credits allowed under Tax Law Article 22. A business tax credit allowed under Article 22 is a tax credit allowed to taxpayers under Article 22 that is substantially similar to a tax credit allowed to taxpayers under Article 9-A. See *Section 11 – Partner's credit information* on page 8.

- **Metropolitan Commuter Transportation Mobility Tax (MCTMT) estimated tax payments for 2015**

Beginning with tax year 2015, partnerships doing business within the Metropolitan Commuter Transportation District must now submit their required estimated MCTMT payments with their required personal income tax payments for nonresident individual partners using Form IT-2658 rather than Form MTA-405. Form IT-2658 has been modified for tax year 2015 to allow partnerships to make the estimated MCTMT and personal income tax payments together. See 2015 Form IT-2658 and our Web site.

Changes to existing credits

- **Empire State commercial production credit**

This credit has been extended through tax year 2016. Visit www.nylovesfilm.com and see Form IT-246, *Claim for Empire State Commercial Production Credit*, for information about this credit.

- **Youth works tax credit**

The New York Youth Works Tax Credit Program has been extended and expanded. See Form IT-635, *New York Youth Works Tax Credit*. For more information about the program, see the New York State Department of Labor Web site (at www.labor.ny.gov).

New credits

- **START-UP NY tax elimination credit**

A new credit is available to approved businesses located in a tax-free NY area. The credit is based on the business's economic presence in the tax-free NY area. See Form IT-638, *START-UP NY Tax Elimination Credit*, and its instructions.

- **START-UP NY telecommunication services excise tax credit**

A new credit is available to approved businesses located in a tax-free NY area that paid excise tax on telecommunication services. See Form IT-640, *START-UP NY Telecommunication Services Excise Tax Credit*, and its instructions.

- **Manufacturer's real property tax credit**

A new credit, equal to 20% of the real property taxes paid, is available to qualified New York manufacturers. The New York real property must be owned by the manufacturer and principally used for manufacturing. See Form IT-641, *Manufacturer's Real Property Tax Credit*, and its instructions.

- **Hire a veteran credit**

A new credit is available to a business that hires a qualified veteran on or after January 1, 2014. The credit may be claimed for tax years beginning on or after January 1, 2015, but before January 1, 2017. For more information, see TSB-M-13(9)C, (8)I, *Hire a Veteran Credit*.

- **Minimum wage reimbursement credit**

A new refundable credit is available to a business that hires an eligible employee who is paid minimum wage during all or part of the tax year. See Form IT-639, *Minimum Wage Reimbursement Credit*, and its instructions.

New and revised income modifications

- **Incomplete gift non-grantor trust**

A new addition modification must be made if you transferred property to an incomplete gift non-grantor trust for the income of the trust. A new subtraction modification is allowed to a beneficiary for income received from an incomplete gift non-grantor trust that terminated and distributed all assets before June 1, 2014. See TSB-M-14(3)I, *Important Information for Beneficiaries and Grantors of Exempt Resident Trusts*, and the instructions for Form IT-225.

- **Addition modification for manufacturer real property taxes**

A new addition modification must be made for any federal deduction for real property taxes if you also claimed the manufacturers real property tax credit. See the instructions for Form IT-225.

- **Addition modification for excise tax on telecommunication services**

A new addition modification must be made for any federal deduction for excise taxes on telecommunication services if you also claimed the START-UP NY telecommunication services excise tax credit. See the instructions for Form IT-225.

- **Small business modification**

A new subtraction modification is allowed for a farm business or small business that employs one or more persons during the tax year, and has net farm or small business income of greater than zero but less than \$250,000. See the instructions for Form IT-225.

General information

Purpose of Form IT-204

Use Form IT-204 to report income, deductions, gains, losses, and credits from the operation of a partnership for calendar year 2014, or other tax year beginning in 2014. All items reported on Form IT-204 or on documents included with are subject to verification, audit, and revision by the New York State Tax Department.

Who must file

Partnerships are not subject to personal income tax. But every partnership having either (1) at least one partner who is an individual, estate, or trust that is a resident of New York State, or (2) any income, gain, loss, or deduction from New York State sources, must file a return on Form IT-204, regardless of the amount of its income (see *Specific instructions* on page 4). Otherwise, New York State law does not currently require a partnership to file a return solely because it has a partner that is either a partnership or corporation formed under the laws of New York State, even though the partner may be responsible for filing its own return with New York State.

A partnership is not considered to be engaged in a business, trade, profession, or occupation, and is therefore not required to file a return for any tax year in which it neither receives income nor incurs any expenses treated as deductions or credits for federal income tax purposes.

An electing large partnership that completes federal Form 1065-B, *U.S. Return of Income for Electing Large Partnerships*, must still use Form IT-204. New York does not conform to the electing large partnership provisions.

Tiered partnerships (Regulation section 137.6)

If your partnership is a partner in another partnership (hereinafter referred to as the *lower tier partnership*), the source and character of the distributive share of each item of your partnership to any partner of your partnership that is attributable to the lower tier partnership retains the source and character determined at the level of the lower tier partnership. Such source and character are not changed by reason of the fact that any such item flows through your partnership to such partner.

Example: *Partnership A was a partner in another partnership, B. A is referred to as the upper tier partnership while B is referred to as the lower tier partnership. P was a nonresident individual partner of A.*

Partnership A was not engaged in a trade or business in New York but partnership B was. Even though partnership A was not carrying on business in New York, it had New York source income from the distributive shares it received from partnership B. The source and character of each item that partnership A received from partnership B retains the source and character determined at the level of partnership B. For instance, if P was a partner of A, and A was a partner of B, nonresident individual partner P would allocate his share of the NY income from B at B's business allocation percentage. Further, if A was engaged in a trade or business in NY, then P would allocate its share of A's income using A's business allocation percentage and P would allocate his share of B's income (which flows to A) at B's business allocation percentage. This allocation method should be reflected on Forms IT-204, IT 204-IP, IT-204-CP, and IT-204.1.

Partnerships with no New York source income that have resident partners

If you have no New York source income and are filing a return specifically because you have an Article 22 New York resident partner, complete the entire Form IT-204 with the exception of Section 10. If you have any corporate partners taxable under Article 9-A, you must also complete Form IT-204.1. Submit a Form IT-204-IP for each Article 22 resident partner (you do not have to submit Form IT-204-IP for nonresident partners) and a Form IT-204-CP for each corporate partner that is taxable under Article 9-A.

Submit a statement with your return indicating the following:

- The partnership has no income derived from New York sources.
- All other Article 22 partners in the partnership are nonresidents of New York State.
- There are a total of _____ nonresident partners.
- If at any time in the course of an audit it is deemed necessary to have copies of Forms IT-204-IP for nonresident partners, we will supply this information.

Income from New York State sources includes:

1. income attributable to the ownership of any interest in real property (including all or a portion of the gain or loss from the sale or exchange of an interest in an entity if the entity owns real property in New York State and the real property has a fair market value that equals or exceeds 50% of the fair market value of the assets the entity has owned for at least two years as of the date of the sale or exchange; for additional information, see TSB-M-09(5)l, *Amendment to the Definition of New York Source Income of a Nonresident Individual*), or tangible personal property located in New York State, and intangible personal property to the extent that it is used in a business, trade, profession, or occupation carried on in New York State; **and**
2. income attributable to a business, trade, profession, or occupation carried on in New York State; **and**
3. any gain from the sale, transfer, or other disposition of shares of stock in a cooperative housing corporation in connection with the grant or transfer of a proprietary leasehold, when the real property comprising the units of such cooperative housing corporation is located in New York State, whether or not connected with a business.

A partnership carries on a business, trade, profession, or occupation within New York State if (1) it maintains or operates

an office, shop, store, warehouse, factory, agency, or other place in New York State where its affairs are systematically and regularly carried on, or (2) it performs a series of acts or transactions in New York State with regularity and continuity for livelihood or profit, as distinguished from isolated or incidental transactions.

Other forms you may have to file

Form IT-204-LL, Partnership, Limited Liability Company, and Limited Liability Partnership Filing Fee Payment Form –

You must file Form IT-204-LL and pay a New York State filing fee if you are:

- a limited liability company (LLC) that is a disregarded entity for federal income tax purposes that has income, gain, loss, or deduction from New York State sources; **or**,
- a domestic or foreign LLC (including limited liability investment company (LLIC), limited liability trust company (LLTC)), or limited liability partnership (LLP) that is required to file a New York State partnership return **and** that has income, gain, loss, or deduction from New York State sources; **or**,
- a regular partnership that is required to file a New York partnership return that has income, gain, loss, or deduction from New York State sources, **and** had New York source gross income in the preceding tax year of at least \$1 million.

For more information, see the instructions for Form IT-204-LL.

Forms IT-2658, Report of Estimated Tax for Nonresident Individual Partners and Shareholders, and CT-2658, Report of Estimated Tax for Corporate Partners – Tax Law section 658 requires the following entities that have income derived from New York State sources to make estimated tax payments on behalf of partners who are nonresident individuals or C corporations (any corporation other than a federal S corporation):

- partnerships (other than publicly traded partnerships as defined in Internal Revenue Code (IRC) section 7704)
- LLCs or LLPs that are treated as partnerships for federal income tax purposes

For more information, see the instructions for Form IT-2658 and Form CT-2658.

In the case of an underpayment of estimated tax by the partnership, a penalty as determined under Tax Law section 685(c) will be added to the estimated tax required to be paid. For more information, see the instructions for Form IT-2659, *Estimated Tax Penalties for Partnerships and New York S Corporations*.

Form Y-204, Yonkers Nonresident Partner Allocation – Every partnership doing business in Yonkers and having a partner who is a nonresident of Yonkers must complete Form Y-204, and show the net earnings from self-employment.

New York City unincorporated business tax

These instructions apply to the New York State partnership return only. They do not apply to the New York City unincorporated business tax, which is administered by the New York City Department of Finance, 66 John Street, 3rd Floor, New York NY 10038-3735. For more information, see the instructions for Form NYC-204, *Unincorporated Business Tax Return for Partnerships (including Limited Liability Companies)*.

Form CT-33-D, Tax on Premiums Paid or Payable to an Unauthorized Insurer – If you purchase or renew a taxable insurance contract directly from an insurer not authorized to transact business in New York State under a certificate of authority from the Superintendent of Financial Services, you may be liable for a tax of 3.6% of the premium. For more information,

see Form CT-33-D, *Tax on Premiums Paid or Payable to an Unauthorized Insurer for Taxable Insurance Contracts with an Effective Date on or after July 21, 2011*.

Form IT-225, New York State Modifications – To report the partnership's addition and subtraction modifications that are to be added to or subtracted from the partners' federal adjusted gross incomes (AGIs) on the partners' New York State income tax returns in arriving at the partners' New York AGIs. For more information, see Form IT-225-I, *Instructions for Form IT-225*.

When to file

Returns for calendar year 2014 are due April 15, 2015.

Fiscal-year returns are due the 15th day of the fourth month after the end of the tax year.

If a partnership is terminated and completely liquidated during its normal tax year, resulting in an accounting period of less than 12 months for federal income tax purposes, the return is due the 15th day of the fourth month after the end of the accounting period.

Use the same accounting period and method for Form IT-204 as you use for federal Form 1065 or 1065-B. If you change your partnership's tax year or accounting method for your federal return, do the same on your Form IT-204.

Extension of time to file

If you need an extension of time to file, you may request an automatic extension by the due date of Form IT-204. For an online application for an automatic extension of time to file Form IT-204, visit our Web site (at www.tax.ny.gov). If you prefer, you may file Form IT-370-PF, *Application for Automatic Extension of Time to File for Partnerships and Fiduciaries*.

Amended return or federal change

You must file an amended New York State partnership return if you file an amended federal partnership return, or if a federal audit of the partnership return changes any item of income, deduction, or tax preference item previously reported to the Internal Revenue Service (IRS). You must file the amended New York State partnership return within 90 days of the date the federal amended partnership return is filed or, in the case of a federal audit, within 90 days after the final determination of the change. Submit a copy of the federal report of examination changes and a signed statement indicating you concede the federal audit changes. If you do not concede the federal audit changes, include a signed statement explaining why.

You must also file an amended Form IT-204, IT-204-IP or IT-204-CP as applicable, and IT-204.1 to correct any error on the original New York State partnership return, whether or not an amended federal partnership return was filed for that year. Be sure to provide any amended copies of Form(s) IT-204-IP and IT-204-CP to all applicable partners.

To amend your original Form IT-204, get a blank Form IT-204 for the tax year to be amended and mark the *Amended return* box at item C. Complete the entire Form IT-204, and Form IT-204.1 if applicable, entering the corrected information, and include an explanation of the changes. If you are amending any credit claim form or other form, or are using any credit claim form or other form for the first time, write **Amended** across the top of that form and submit it with your amended return. Any other credit claim form or other form that you submitted with your original return must also be submitted with your amended return.

If a Form IT-204-IP or IT-204-CP contained an error, but there are no changes to your original filed Form IT-204, submit a completed Form IT-204 with the *Amended return*

box marked at item C and submit with the return any Form IT-204-IP or IT-204-CP that you are amending. Only submit the Form(s) IT-204-IP or IT-204-CP that are being amended, and mark the *Amended K-1* box at the top of each form.

Penalties

A penalty is imposed against the partnership if the partnership is required to file a partnership return and (1) fails to file the return on time, including extensions; (2) files a return that fails to show all the information required; or (3) fails to file an amended partnership return within 90 days of the date the final federal determination or disallowance is issued or when the federal amended partnership return is filed, unless the failure is due to reasonable cause and not due to willful neglect.

The penalty for each month or fraction of a month (for a maximum of five months) that the failure continues is \$50 multiplied by the total number of persons who were partners in the partnership during any part of the partnership's tax year for which the return is due. In counting the number of partners for purposes of this penalty, include only individuals, estates, and trusts subject to tax under Article 22. Do not include corporations or partnerships.

Where to file

Mail your return to:

STATE PROCESSING CENTER
PO BOX 4149
BINGHAMTON NY 13902-4149

Private delivery services – See Publication 55, *Designated Private Delivery Services*.

How to fill in the forms

Please follow these guidelines.

Use black ink only (no red or other color ink or pencils) to print or type all entries.

Do not write in dollar signs, commas, or decimal points when making entries. All necessary punctuation has been printed on the form and amounts are rounded to dollars only.

Do not make any entry in areas that do not apply to you unless these instructions specifically direct you to do so; treat blank lines as zeros.

Mark an **X** to fill in boxes as appropriate. Do not use a check mark. Keep your Xs and numerals inside the boxes. Be careful not to touch any box line.

For example, if your entry for line 1 is \$23,750,500 your money field entry on line 1 should look like this:

...

1	2	3	7	5	0	5	0	0
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If you need to show a loss, place a minus sign **immediately to the left** of the loss amount. Do not use [] brackets or parentheses. For example, a business loss of \$1,024 on line 6 should look like this:

...

6	-	1	0	2	4
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Specific instructions

Partnerships with New York source income must complete and file the entire Form IT-204. In addition, Form IT-204-IP must be completed and filed for each partner who is an individual, estate or trust, or partnership. If the partnership has any Article 9-A corporate partners, it must complete and file a single

Form IT-204.1 for the partnership, and then complete and submit a separate Form IT-204-CP for each Article 9-A partner.

Partnerships with no New York source income that have resident partners must complete and file Form IT-204, with the exception of Section 10. For more information, see the instructions under *Partnerships with no New York source income that have resident partners* on page 2.

All information on Form IT-204 should be for the calendar year January 1 through December 31, 2014, or for a tax year of the partnership that began in 2014. If filing for a tax year other than a calendar year, enter the month and day the tax year began, and the month, day, and year that it ended at the top of the front page.

Name and address box

Enter in the spaces at the top of the return the exact legal name, trade name (if any), and address of the partnership. The legal name is the name in which the business owns property or acquires debt. Enter the trade name or d/b/a (doing business as) name if different from the legal name. Also enter the business's employer identification number (EIN), principal business activity, principal product or service, and date the business was started.

NAICS business code number

Enter the six-digit NAICS business activity code number from Publication 910, *NAICS Codes for Principal Business Activity for New York State Tax Purposes*.

Special conditions for filing your 2014 tax return

If the partnership qualifies for one or more of the special conditions below, enter the specified 2-character code(s) on the return.

Code A6 Build America Bond (BAB) interest – Enter this code if the partnership included BAB interest in ordinary income. For more information, see TSB-M-10(4), *Treatment of Interest Income from Build America Bonds*, available on our Web site, and see Form IT-225-I.

Code E3 Out of the country – Enter this code for partnerships that keep their records and books of account outside the United States and Puerto Rico and qualify for an automatic two-month extension of time to file their federal returns. For more information, see *When to file* on page 3.

Section 1 – Partnership information

Items A through Q – Complete items A through Q.

For item A, mark an **X** in the *Portfolio investment partnership* box if you meet the definition below.

Portfolio investment partnership is defined as a limited partnership which meets the gross income requirement of Internal Revenue Code (IRC) section 851(b)(2). Income and gains from commodities (not described in IRC section 1221[1]) or from futures, forwards, and options with respect to such commodities shall be included in income which qualifies to meet the gross income requirement. The commodities must be of a kind customarily dealt in on an organized commodity exchange and the transaction must be of a kind customarily consummated at such place, as required by IRC section 864(b)(2)(B)(iii). To the extent that such a partnership has income and gains from futures, forwards, and options with respect to the commodities, the income and gains must be derived by a partnership which is not a dealer in commodities and is trading for its own account as described in IRC section 864(b)(2)(B)(ii). The term portfolio investment partnership shall not include a dealer (within the meaning of IRC section 1236) in stocks or securities.

For item G, if you have any other New York tax accounts, mark an **X** in the appropriate boxes on lines 1 and 2 and enter the identification number(s).

For item P, mark an **X** in the Yes box if the partnership owes NYS sales and compensating use tax.

A partnership that is registered, or required to be registered, for sales tax purposes, must pay its sales and use taxes on the partnership sales tax return for purchases made by the business.

A partnership operating in New York State that is not registered or required to be registered for sales tax purposes must report its sales and use tax liability by filing Form ST-130, *Business Purchaser's Report of Sales and Use Tax*. The tax is due within 20 days of the date of the first taxable use in New York State of the tangible personal property or taxable service.

The following are examples of when a business located in NYS that is not registered or required to be registered for sales and use tax purposes must pay tax directly to the Tax Department. These examples apply when the seller did not collect the NYS tax due from the business.

- *The business buys office supplies in New Jersey and brings them back to NYS for use in the business.*
- *The business orders office equipment through a catalog from a vendor located in Michigan. The equipment is shipped by common carrier to the business in NYS.*
- *The business sends a fax machine to New Jersey to be repaired. The repaired fax machine is returned by common carrier to the business in NYS.*
- *The business takes its computer to Pennsylvania to be repaired. The business then picks it up and returns it to its office in New York State. The business owes tax on the cost of the repairs when it brings the computer back to New York State for use in the business.*
- *The business purchases and pays sales tax on office equipment and supplies in a locality in New York State with a lower tax rate than the rate in the locality in New York State in which the business is located. When the business brings the equipment and supplies to its office, it will owe tax for the **difference** between the rate in the locality where the office is located and the rate in the locality where the business purchased the equipment and supplies.*

For additional information on when a business must pay sales and compensating use tax directly to the Tax Department, see TB-ST-913, *Use Tax for Individuals (including Estates and Trusts)*.

For item Q, if you marked Yes on federal Form 1065, Schedule B, then mark an **X** in the Yes box.

Third-party designee

If you want to authorize another individual (third-party designee) to discuss this tax return with the New York State Tax Department, mark an **X** in the Yes box in the third-party designee area of your return. Also print the designee's name, phone number, and any five-digit number the designee chooses as his or her personal identification number (PIN). If you want to authorize the paid preparer who signed your return to discuss the return with the Tax Department, print the preparer's name in the space for the designee's name and enter the preparer's phone number in the space for the designee's phone number. You do not have to provide the other information requested. If you do not want to authorize another person, mark an **X** in the No box.

If you mark the Yes box, you are authorizing the Tax Department to discuss with the designee any questions related to this return.

You are also authorizing the designee to give and receive confidential taxpayer information relating to:

- this return, including missing information,
- any notices or bills arising from this filing that you share with the designee (they will not be sent to the designee),
- any payments and collection activity arising from this filing, and
- the status of your return or refund.

This authorization will not expire but will only cover matters relating to this return. If you decide to revoke this designee's authority at any time, call us (see *Need help?*).

You are not authorizing the designee to receive your refund, bind you to anything (including any additional tax liability), or otherwise represent you before the Tax Department. If you want someone to represent you or perform services for you beyond the scope of the third-party designee, you must designate the person using another method such as Form DTF-280, *Tax Information Authorization*, or a power of attorney.

Signatures

A **general partner** must sign Form IT-204.

Enter your daytime telephone number including the area code. This entry will enable the Tax Department to correct minor errors or omissions by calling you rather than writing or sending back your return.

Paid preparer's signature

If you pay someone to prepare your return, the paid preparer must also sign it and fill in the other blanks in the paid preparer's area of your return. A person who prepares your return and does not charge you should not fill in the paid preparer's area.

Paid preparer's responsibilities – Under the law, all paid preparers must sign and complete the paid preparer section of the return. Paid preparers may be subject to civil and/or criminal sanctions if they fail to complete this section in full.

When completing this section, enter your New York tax preparer registration identification number (NYTPRIN) if you are required to have one. If you are not required to have a NYTPRIN, enter in the *NYTPRIN excl. code* box one of the specified 2-digit codes listed below that indicates why you are exempt from the registration requirement. You **must** enter a NYTPRIN **or** an exclusion code. Also, you must enter your federal preparer tax identification number (PTIN) if you have one; if not, you must enter your social security number.

Code	Exemption type	Code	Exemption type
01	Attorney	02	Employee of attorney
03	CPA	04	Employee of CPA
05	PA (Public Accountant)	06	Employee of PA
07	Enrolled agent	08	Employee of enrolled agent
09	Volunteer tax preparer	10	Employee of business preparing that business' return

See our Web site for more information about the tax preparer registration requirements.

Requirements for paid preparers – A penalty of \$50 per return will be assessed a paid preparer for failure to comply with any of the following requirements:

- Sign the tax return.
- Include the identifying number of the paid preparer (if an individual paid preparer is an employee of an employer or a partner in a partnership that is a paid preparer, the return must also include the identifying number of the employer or partnership).
- Furnish a completed copy of the tax return to the taxpayer not later than the time the return is presented for the taxpayer's signature.
- Keep a completed copy of the return prepared for each taxpayer, or keep the name and identification number of each taxpayer for whom a return was prepared on a list, and make the copy or list available for inspection upon request.

A paid preparer must keep a completed copy of the return or information on the list for three years after the due date of the return (without regard to extensions), or three years after the date the return was presented to the taxpayer for signature, whichever is later.

A paid preparer may be subject to a maximum penalty of \$25,000 for failure to comply with any of the requirements listed above.

Section 2 – Federal ordinary business income (loss)

Transfer the amounts reported on federal Form 1065, page 1, to the corresponding lines on Form IT-204, Section 2.

Section 3 – Cost of goods sold

Transfer the amounts reported on federal Form 1125-A to the corresponding lines on Form IT-204, Section 3.

Section 4 – Balance sheets per books

Transfer the amounts reported on federal Form 1065, Schedule L, to the corresponding lines on Form IT-204, Section 4.

Section 5 – Reconciliation of income (loss) per books with income (loss) per return

Transfer the amounts reported on federal Form 1065, Schedule M-1, to the corresponding lines on Form IT-204, Section 5. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on that specific line.

If the partnership filed federal Schedule M-3 with federal Form 1065, mark an **X** in the box and include a copy of the federal Schedule M-3 and any related documents to Form IT-204. Do not complete Section 5.

Section 6 – Analysis of partners' capital accounts

Transfer the amounts reported on federal Form 1065, Schedule M-2, to the corresponding lines on Form IT-204, Section 6. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on that specific line.

Section 7 – Partners' share of income, deductions, etc.

Transfer the amounts reported on federal Form 1065, Schedule K to the corresponding lines on Form IT-204, Section 7. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on that specific line.

Line 97 – Enter the amount from federal Form 1065, Schedule K, line 11.

Line 99 – Enter the total amount from federal Form 1065, Schedule K, lines 13a through 13d.

Line 102 – Enter the total amount from federal Form 1065, Schedule K, lines 18a through 18c.

Line 105 – Enter the total amount from federal Form 1065, Schedule K, lines 20a through 20c.

Section 8 – New York modifications

Lines 108 and 110 – Complete Form IT-225 to determine the amounts to enter on these lines.

Lines 111 and 113

Use **only** for modifications that apply to federal itemized deductions on the individual returns of partners. Exclude any amounts properly reportable on lines 108 and 110. Be sure to enter the corresponding letter and total amount of the addition to or subtraction from itemized deductions.

Line 111 – Additions to federal itemized deductions

- A** Interest expense on money borrowed to purchase or carry bonds or securities whose interest is subject to New York State income tax but exempt from federal income tax, if this interest expense was not deducted on the federal return or subtracted on line 110.
- 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 110.
- C** 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, if this amortization was not deducted on the federal return or subtracted on line 110.

Line 113 – Subtractions from federal itemized deductions

- D** State, local, and foreign income taxes (including unincorporated business taxes).
- E** Interest expense on money borrowed to purchase or carry bonds or securities whose interest is exempt from New York State income tax.
- F** 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, but only to the extent deducted in computing your federal taxable income.
- G** Amortization of bond premium attributable to the tax year on any bond whose interest income is exempt from New York State income tax, but only to the extent deducted in computing your federal taxable income.

Section 9 – Other information

Line 116a – Do not complete this line if the only reason you are filing Form IT-204 is because you have a resident partner. Use the worksheet below to compute your modified federal and New York source gross income for **tax year 2014** for use in filing Form IT-204-LL for **tax year 2015**. Enter in column A of the worksheet the amounts for lines 1 through 13 as instructed.

Enter in column B the portion of column A (if any) that is derived from or connected to New York State sources.

 **Tiered partnerships:** Do not include on lines 1 through 13 of the worksheet income from any partnership in which you are a partner. Enter on line 14 the amount that should be shown on line 29a of Form IT-204-IP, *New York Partner's Schedule K-1*.

Keep this worksheet for your records. You will need it when completing your Form IT-204-LL for 2015.

New York source gross income worksheet		A – Modified federal gross income	B – New York source gross income
Enter 2014 amounts			
1	Enter the amount from federal Form 1065, line 1c	1	
2	Enter the amount from federal Form 1065, Schedule K, line 5	2	
3	Enter the amount from federal Form 1065, Schedule K, line 6a	3	
4	Enter the amount from federal Form 1065, Schedule K, line 7	4	
5	Enter any income (not losses) included on federal Form 1065, Schedule K, line 11	5	
6	Add the gain (not loss) amounts from federal Form 8949, column (h), and the gains (not losses) from federal Form 1065, Schedule D, lines 1a, column (h), 4, 5, 8a, column (h), 11, 12, and 14	6	
7	Add the gain (not loss) amounts on federal Form 4797, column (g), lines 2 through 6, 10, and 13 through 16	7	
8	Enter the amount from federal Form 8825, line 18a	8	
9	Enter the income (not loss) from federal Schedule F (Form 1040), line 9	9	
10	Enter amount from federal Schedule F (Form 1040), line 1b	10	
11	Enter any income (not losses) included on federal Form 1065, Schedule K, line 3a, not included above	11	
12	Enter any income (not losses) included on federal Form 1065, line 4, from estates and trusts not included above	12	
13	Enter any income (not losses) included on federal Form 1065, line 7, not included above	13	
14	Enter the New York source gross income as reported by your lower tiered partnership from Form IT-204-IP, line 29a	14	
15	Total (add column B, lines 1 through 14); enter the amount here and on Form IT-204, line 116a	15	

Line 116b – MCTD allocation percentage

- If the partnership is doing business only in the MCTD, enter 100%.
- If the partnership maintains separate books and records and they reflect the self-employment income in the MCTD, enter on line 116b the percentage of net earnings from self-employment allocated to the MCTD.

- If the partnership carries on business both in and out of the MCTD but does not maintain books and records from which the MCTD income can be determined, use the worksheet below to compute the percentage to enter on line 116b.

Transfer the amounts in Section 10, Part 2, column A, of Form IT-204, to column A below; and then enter in column B the amounts in the MCTD. Refer to the instructions for Section 10, Part 2, and substitute *MCTD* in place of *New York State*.

Items used as factors	A – Totals in and out of NYS	B – MCTD amounts	C – Percent column B is of column A
1 Real property owned	1		
2 Real property rented from others	2		
3 Tangible personal property owned	3		
4 Property percentage (add lines 1, 2, and 3; see instructions below)	4		%
5 Payroll percentage (see instr. below)	5		%
6 Gross income percentage (see instr. below)	6		%
7 Total of percentages (add lines 4, 5, and 6, column C)		7	%
8 MCTD allocation percentage (divide total percentages on line 7 by three or by actual number of percentages if less than three; enter here and on line 116b)		8	%

Line 117c – If you checked the Yes box, the name(s) and EINs of the entity(ies) **must** be listed in the table below line 117c regardless of the percentage of ownership interest.

Section 10 – New York allocation schedule

Complete Part 1 if the partnership carries on business both in and out of New York State. Enter the exact location of each place where the partnership carries on business. Describe each place (for example, branch office, agency, factory), and state whether it is rented or owned by the partnership.

Complete Part 2 if the partnership carries on business both in and out of New York State but does not maintain books and records from which the New York business income can be determined.

You must still complete Part 2, even though it may not fairly and equitably reflect the income from New York and you use an authorized alternate allocation method. You must include a detailed explanation of the authorized alternate method used to determine the New York income, together with full details of any changes increasing or decreasing the amount of New York income computed by the authorized alternate method.

Line 119 – Real property owned

Enter in column A the average value of all real property connected with the partnership. Enter in column B the average value of all real property connected with the partnership located in New York State.

The average value of the property is determined by (1) adding its adjusted basis at the beginning of the tax year to its adjusted basis at the end of the tax year, and (2) dividing by two.

Line 120 – Real property rented from others

The value of real property rented to the business, and to be included in line 120, is eight times the gross rent payable during the tax year for which the return is filed. *Gross rent* includes any amount payable for the use or possession of real property, or any part thereof, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise; any amount payable as additional rent, or in place of rent, such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other agreement; and the cost of any improvement to real property made by or on behalf of the business that reverts to the owner or lessor upon termination of a lease or other arrangement. However, if a building is erected on leased land by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business.

Line 121 – Tangible personal property owned

Enter in column A the average value (determined in accordance with the instruction for line 119) of all tangible personal property (including any inventory) owned by the business. Enter in column B the average value (determined in accordance with the instructions for line 119) of tangible personal property located in New York State.

Line 122 – Property percentage

Add lines 119, 120, and 121 in columns A and B and enter each total on line 122. Divide the column B total by the column A total and round the result to the fourth decimal place. For example, if the total in column A is \$15,000 and the total in column B is \$10,000, divide \$10,000 by \$15,000 and enter the result (0.6667) as a percentage (66.67%) in column C.

Line 123 – Payroll percentage

The amounts to be entered on line 123 include wages, salaries, and so forth, paid only to employees of the partnership. Do not include payments to independent contractors, independent sales agents, or the like. Enter on line 123 in column A the total of such pay to employees during the tax year for partnership operations carried on both in and out of New York State. Enter on line 123 in column B the amount of that pay for operations carried on in New York State. Operations are considered to be carried on in New York State if the employee works in or travels out of an office or other place of business located in New York State. If in Section 8, line 110, you subtracted an amount based on wages not allowed because of a federal credit under IRC section 280C, this change should be reflected here in wages and salaries paid during the year. Divide column B by column A. Round the result to the fourth decimal place and enter it as a percentage in column C.

Line 124 – Gross income percentage

The amount to be entered on line 124 in column A is total gross sales made, or charges for services performed, by the employees, agents, agencies, or independent contractors of the partnership in and out of New York State. The amount to be entered on line 124 in column B is the part of total gross sales or charges that represents sales made or services performed by or through an agency in New York State. This includes sales made or services performed by employees, agents, agencies, or independent contractors situated at, connected with, or sent out from offices of the partnership (or its agencies) located in New York State. For example, if a salesman working out of the New York office of the business covers the states of New York, New Jersey, and Pennsylvania, all sales made by him are to be allocated to New York State and included on line 124 in column B. Divide column B by column A. Round the result to the fourth decimal place and enter it as a percentage in column C.

Section 11 – Partners' credit information

If the partnership (or a partnership of which it was a partner) is convicted of an offense defined in New York State Penal Law Article 200 (*Bribery Involving Public Servants and Related Offenses*) or 496 (*Corrupting the Government*), or section 195.20 (*Defrauding the Government*), you must mark an **X** in the Yes box. If the Yes box is marked, the partnership is not eligible for any tax credit allowed under Tax Law Article 9, 9-A, 32, or 33, or any business tax credit allowed under Tax Law Article 22. A *business tax credit allowed under Article 22* is a tax credit allowed to taxpayers under Article 22 which is substantially similar to a tax credit allowed to taxpayers under Article 9-A.

Enter the brownfield redevelopment tax credit components; the EZ capital tax credit and recapture amounts; QEZE tax reduction credit factors; the excelsior jobs program tax credit components; and the farmers' school tax credit information, computed at the partnership level, on the appropriate lines. Also enter the START-UP NY tax elimination credit information for the partnership. For all other credits, addbacks of credits, and recaptures, you must enter the 3-digit code number and the amount on lines 147 or 148 identifying the credit or addback. Submit the credit form(s) with your Form IT-204. A chart with the other credits, addbacks of credits, and recaptures, in addition to the 3-digit codes to enter on lines 147 and 148, is found on page 9.

Part 1 – Flow-through credit bases and information

Line 127 – Enter the total site preparation credit component as shown on Form IT-611 or Form IT-611.1, line 8. If the partnership has Article 9-A corporate partners, in addition to entering the credit component on line 127, enter code **107** and the cost from Form IT-611 or Form IT-611.1, line 2, on lines 144a through 144f.

Line 128 – Enter the total tangible property credit component as shown on Form IT-611, line 16, or Form IT-611.1, line 24. If the partnership has Article 9-A corporate partners, in addition to entering the credit component on line 128, enter code **108** and the cost from Form IT-611, line 10, or Form IT-611.1, line 18, on lines 144a through 144f.

Line 129 – Enter the total on-site groundwater remediation credit component as shown on Form IT-611, line 24, or Form IT-611.1, line 16. If the partnership has Article 9-A corporate partners, in addition to entering the credit component on line 129, enter code **109** and the cost from Form IT-611, line 18, or Form IT-611.1, line 10, on lines 144a through 144f.

Line 133 – Enter the QEZE employment increase factor computed on Form IT-604, line 13, or line 46.

Line 134 – Enter the QEZE zone allocation factor computed on Form IT-604, line 19, or line 52.

Line 135 – Enter the QEZE benefit period factor from Form IT-604, page 3, *Benefit period factor table*, or line 58.

Note: If the partnership is filing multiple Forms IT-604, *Claim for QEZE Tax Reduction Credit*, enter the code and credit factors on lines 144g through 144i. The additional codes are as follows:

- Code **CF1** – Employment increase factor
- Code **CF2** – Zone allocation factor
- Code **CF3** – Benefit period factor

Line 140 – See instructions for item A in Form IT-217-I, *Instructions for Form IT-217, Claim for Farmers’ School Tax Credit*, to determine the acres of qualified agricultural property to enter on this line.

Line 141 – *Qualified conservation property* is acreage that, during the tax year, is enrolled in or participating in a federal environmental conservation acreage reserve program under Title III of the Federal Agricultural Improvement and Reform Act of 1996.

Line 142 – See instructions for item B in Form IT-217-I to determine the amount of eligible school district property taxes paid to enter on this line.

Line 143 – See instructions for item F in Form IT-217-I to determine the acres of qualified agricultural property converted to nonqualified use to enter on this line.

Note: If the partnership was a shareholder in a C corporation that has a special gross income from farming election, enter the following information, which should have been provided to you by the C corporation, and codes on lines 144a through 144f:

- Enter the entire net income amount as reported to you by the corporation and code **148**.
- Enter the principal payment amount paid on farm indebtedness as reported to you by the corporation and code **146**.

- Enter the gross income as reported to you by the corporation and code **149**.
- Enter the gross income from farming as reported to you by the corporation and code **147**.

Part 2 – Flow-through credits, addbacks, and recaptures

Line 146a – If the partnership has Article 9-A corporate partners, in addition to entering the amount of credit on line 146a, enter code **212** and the amount of investment credit **base** (cost or other basis of qualified property purchased **excluding** R & D property) on lines 144a through 144f.

Line 146b – If the partnership has Article 9-A corporate partners, in addition to entering the amount of credit on line 146b, enter code **218** and the amount of R & D investment credit **base** (cost or other basis of qualified property purchased) on lines 144a through 144f.

Line 147 – Partnerships that have Article 9-A corporate partners

- If the partnership enters code 163 on this line, also enter code **163** and the amount of EZ investment credit **base** (cost or other basis of qualified property purchased) on lines 144a through 144f.
- If the partnership enters code 165, also enter code **165** and the amount of Financial Services Industry (FSI) EZ investment credit **base** (cost or other basis of qualified property purchased) on lines 144a through 144f.
- If the partnership enters code 252, also enter code **252** and the amount of FSI investment credit **base** (cost or other basis of qualified property purchased) on lines 144a through 144f.

Part 3 – START-UP NY tax elimination credit information

Line 149 – Enter the certificate number from Form DTF-74, *Certificate of Eligibility*, issued to the approved START-UP NY business.

Line 150 – Enter the tax year of the START-UP NY business tax benefit period (1 through 10) from Form IT-638, *START-UP NY Tax Elimination Credit*, line B.

Line 151 – Enter the area allocation factor from Form IT-638, line 14.

Note: If the partnership is filing multiple Forms IT-638, enter the code and credit information on lines 144g through 144i. The additional codes are as follows:

- Code **SN1** – Certificate number
- Code **SN2** – Year of business tax benefit period
- Code **SN3** – Area allocation factor

Lines 147 and 148 – Other flow-through credits, addbacks and recaptures

To claim these credits or report these addbacks and recaptures:	See these forms and their instructions:	Report on Form IT-204 line:	Enter code:
Alternative fuels credit addback on early dispositions	IT-253	Lines 148a-148f	253
Alternative fuels and electric vehicle recharging property credit	IT-637	Lines 147a-147h	637
Beer production credit	IT-636	Lines 147a-147h	636
Biofuel production credit	IT-243	Lines 147a-147h	303
Brownfield redevelopment tax credit addback	IT-611	Lines 148a-148f	171
Brownfield redevelopment tax credit addback	IT-611.1	Lines 148a-148f	170

Brownfield credit for real property taxes Addback for real property taxes	IT-612 IT-612	Lines 147a-147h Lines 148a-148f	172 172
Brownfield credit for environmental remediation insurance Addback for environmental remediation insurance	IT-613 IT-613	Lines 147a-147h Lines 148a-148f	173 173
Clean heating fuel credit	IT-241	Lines 147a-147h	301
Conservation easement credit	IT-242	Lines 147a-147h	302
Defibrillator credit	IT-250	Lines 147a-147h	250
Economic transformation and facility redevelopment program jobs tax credit			
Jobs tax credit component	IT-633	Lines 147a-147h	633
Investment tax credit component	IT-633	Lines 147a-147h	B33
Training tax credit component	IT-633	Lines 147a-147h	C33
Real property tax credit component	IT-633	Lines 147a-147h	D33
Addback	IT-633	Lines 148a-148f	633
Empire State commercial production credit	IT-246	Lines 147a-147h	355
Empire State film post-production credit (current tax year credit)	IT-261 (line 7)	Lines 147a-147h	356
Empire State film post-production credit (second year credit)	IT-261 (line 20)	Lines 147a-147h	B56
Empire State film post-production credit (third year credit)	IT-261 (line 21)	Lines 147a-147h	C56
Empire State film production credit (current tax year credit)	IT-248 (line 7)	Lines 147a-147h	248
Empire State film production credit (second year credit)	IT-248 (line 9)	Lines 147a-147h	B48
Empire State film production credit (third year credit)	IT-248 (line 10)	Lines 147a-147h	C48
Empire State jobs retention program credit Addback	IT-634 IT-634	Lines 147a-147h Lines 148a-148f	634 634
Excelsior jobs program tax credit addback	IT-607	Lines 148a-148f	607
EZ investment tax credit (and employment incentive credit) Addback on early dispositions	IT-603 IT-603	Lines 147a-147h Lines 148a-148f	163 163
EZ wage tax credit	IT-601	Lines 147a-147h	161
Employment of persons with disabilities credit	IT-251	Lines 147a-147h	251
FSI EZ investment tax credit (and employment incentive credit) Addback on early dispositions	IT-605 IT-605	Lines 147a-147h Lines 148a-148f	165 165
FSI investment tax credit (and employment incentive credit) Addback on early dispositions	IT-252 IT-252	Lines 147a-147h Lines 148a-148f	252 252
Green building credit	DTF-630	Lines 147a-147h	630
Investment credit addback on early dispositions	IT-212	Lines 148a-148f	212
Low-income housing credit Addback	DTF-624 DTF-626	Lines 147a-147h Lines 148a-148f	624 626
Manufacturer's real property tax credit Addback	IT-641 IT-641	Lines 147a-147h Lines 148a-148f	641 641
Minimum wage reimbursement credit	IT-639	Lines 147a-147h	639
New York youth works tax credit	IT-635	Lines 147a-147h	635
QETC capital tax credit Addback on early dispositions	DTF-622 DTF-622	Lines 147a-147h Lines 148a-148f	622 622
QETC employment credit	DTF-621	Lines 147a-147h	621
QEZE credit for real property taxes Addback	IT-606 IT-606	Lines 147a-147h Lines 148a-148f	166 166
Rehabilitation of historic properties credit Addback on early dispositions	IT-238 IT-238	Lines 147a-147h Lines 148a-148f	238 238
Security officer training credit	IT-631	Lines 147a-147h	631
Special additional mortgage recording tax credit	IT-256	Lines 147a-147h	256
START-UP NY telecommunication services excise tax credit	IT-640	Lines 147a-147h	640
Taxicabs and livery service vehicles accessible to persons with disabilities credit (For costs incurred on or after January 1, 2011)	IT-236	Lines 147a-147h	236

Partnership's instructions for Form IT-204-IP New York Partner's Schedule K-1

General information

Partnerships with New York source income must provide Form IT-204-IP to each Article 22 partner on or before the day on which the partnership return is required to be filed. Partnerships with no New York source income who are filing a return specifically because they have resident partners must file and provide Form IT-204-IP only for the resident partners.

Partners should obtain a copy of Form IT-204-IP-I, *Partner's Instructions for Form IT-204-IP*, to help them report on their personal income tax return the items shown on their Form IT-204-IP.

Specific instructions

Partnership's information

On each Form IT-204-IP, enter the name and EIN of the partnership.

Item C

Enter the business allocation percentage of the partnership from Form IT-204, line 126.

If line 126 is blank because your business allocation percentage is 100% New York State, enter 100%.

If line 126 does not fairly and equitably reflect the income from New York and you have included an authorized alternative method of allocation, enter the alternative allocation percentage.

If line 126 is blank because the partnership's books and records accurately reflect income earned in New York, leave item C blank.

Partner's information

For the partner for which you are completing this Form IT-204-IP, enter the partner's name, address, and identifying number (social security number or EIN).

Item E

If you marked an **X** in the *Partnership* box, you should check with this partner to see if any partner of theirs or in the tier or chain is an Article 9-A corporate partner. If so, you should give both Forms IT-204-IP and IT-204-CP to your partner because they will need the information from both forms to provide the necessary information to their partners. Only submit the Form IT-204-IP (and not the Form IT-204-CP) for this partner with your Form IT-204.

Item H

Enter the partner's percentages as reported on federal Schedule K-1, item J.

Item I

Enter the partner's share of liabilities as reported on federal Schedule K-1, item K.

Item J

Enter the partner's capital account analysis as reported on federal Schedule K-1, item L. However, enter on lines 2 and 3 of item J, the amount of cash and property contributed by **that** partner to the partnership as included on New York State Form IT-204, Section 6, lines 76 and 77. Enter on line 5 of

item J, the amount of withdrawals and distributions of cash to **that** partner from Form IT-204, Section 6, line 81. Enter on line 6 of item J, the amount of withdrawals and distributions of property made to **that** partner from Form IT-204, Section 6, line 82.

Item K

This item does not apply to partners that are partnerships. If completing Form IT-204-IP for a partner that is a partnership, leave item K blank.

Item L

If the partner was included on Form IT-203-GR, *Group Return for Nonresident Partners*, enter the partnership's special NYS income tax identification number assigned to the group.

Item M

If this partner is a nonresident individual who submitted a Form IT-2658-E, *Certificate of Exemption from Partnership or New York S Corporation Estimated Tax Paid on Behalf of Nonresident Individual Partners or Shareholders*, or Form MTA-405-E, *Certificate of Exemption from Partnership Estimated Metropolitan Commuter Transportation Mobility Tax Paid on Behalf of New York Nonresident Individual Partners*, that is **valid** for 2014, mark an **X** in the Yes box(es). If the partner is a resident individual partner, another partnership, or an estate or trust, leave both items M1 and M2 blank. If you are not doing business in the MCTD, leave item M2 blank. If you marked an **X** in the M1 Yes box, do not complete item N. If you marked an **X** in the M2 Yes box, do not complete item O.

Item N

Enter the amount of estimated tax paid on behalf of the partner from Form(s) IT-2658, on lines N1 through N4, and the total amount paid on line N.

Item O

Enter the amount of estimated MCTMT paid on behalf of the partner from Form(s) MTA-405, *Report of Estimated Metropolitan Commuter Transportation Mobility Tax for New York Nonresident Individual Partners*, on lines O1 through O4, and the total amount paid on line O.

Partner's share of income, deductions, etc.

Column B

Transfer the amounts from the individual partner's federal Form 1065, Schedule K-1. However, for line 19 of federal Form 1065, Schedule K-1, determine the portion of line 19 that represents distributions of cash and marketable securities, and distributions of other property, and enter this amount(s) on line 17 and line 18 of Form IT-204-IP respectively. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on each specific line.

Column C

Enter in column C the amounts from column B that are derived from or connected with New York State sources. (See *Income from New York State sources includes* on page 2.)

If you are doing business entirely within New York State, enter the amounts from column B in column C.

If you are doing business both inside and outside New York State, allocate to New York State the federal items of income, gain, loss, and deduction as shown on federal Form 1065,

Schedule K. Use the business allocation percentage (item C), the separate book method (see *Books and records* below), or an authorized alternative allocation method. However, do not allocate any items of real property (see *Note* below).

Note: Amounts attributable to real property located in New York State are 100 percent allocable to New York. Amounts attributable to real property located outside New York State are not allocable to New York.

Books and records

A partnership carrying on business inside and outside of New York State, that maintains books and records from which the New York income of the business can be determined, enters in column C the amount of each item derived from New York State sources, as determined from the books of account.

Authorized alternative allocation method

If a detailed explanation of an authorized alternative allocation method is submitted with Form IT-204, use that method to compute the amounts to be entered in column C.

Calculation of the partner's share of New York modifications and credits

You must allocate the partner's share of a modification or credit in accordance with the partner's distributive share, for federal income tax purposes, of the item to which the modification relates. Where a partner's distributive share of any such item is not required to be taken into account separately for federal income tax purposes, the partner's share of such item must generally be determined in accordance with their share, for federal income tax purposes, of partnership taxable income and loss.

Where a partner's distributive share of an item of partnership income, gain, loss, or deduction is determined for federal income tax purposes by special provision in the partnership agreement with respect to such item, and where the principal purpose of such provision is the avoidance or evasion of tax under this article, the partner's distributive share of such item, and any modification or credit required with respect thereto, must be determined as if the partnership agreement made no special provision with respect to such item.

If the partnership agreement does not provide for the partner's distributive share of income, gain, loss, deduction, or credit, determine the partner's share according to the partner's interest in the partnership.

If a partner's interest changed during the year, determine the distributive share of each partner at the federal level. How the partnership allocates income (or loss) is also determined at the federal level. Allocate income (or loss) to the partner only for the part of the year in which that person was a member of the partnership.

Partner's share of New York modifications

Any of the modifications from Form IT-225 are to be added to or subtracted from each partner's federal adjusted gross income on the partner's New York State income tax return, in arriving at the partner's total New York income. Any of the modifications listed under *Lines 111 and 113* instructions are to be added to or subtracted from each partner's federal itemized deductions on the partner's New York State income tax return, in arriving at the partner's New York State itemized deduction. The partners need this information to complete their individual tax returns.

Line 20 – New York State additions

Enter in column A on lines 20a through 20f the partner's distributive share of the total amount for each addition modification reported on Form IT-225, line 1, column A, and line 5, column A. Be sure to enter the corresponding number of the addition next to the letters *EA*. If you are reporting more than six addition modifications for the partner, include a separate schedule. Enter in column B, *New York State allocated amount*, the amount of the partner's modification that relates to income, gain, loss, or deduction derived from or connected with New York State sources (from Form IT-225, line 1, column B, and line 5, column B).

Line 21 – Enter the column A total of lines 20a through 20f and from any additional schedule(s) (if more than six addition modifications) on line 21.

Line 22 – New York State subtractions

Enter in column A on lines 22a through 22f the partner's distributive share of the total amount for each subtraction modification reported on Form IT-225, line 10, column A, and line 14, column A. Be sure to enter the corresponding number of the subtraction next to the letters *ES*. If you are reporting more than six subtraction modifications for the partner, include a separate schedule. Enter in column B, *New York State allocated amount*, the amount of the partner's modification that relates to income, gain, loss, or deduction derived from or connected with New York State sources (from Form IT-225, line 10, column B, and line 14, column B).

Line 23 – Enter the column A total of lines 22a through 22f and from any additional schedule(s) (if more than six subtraction modifications) on line 23.

Line 24 – Additions to federal itemized deductions

Enter in the *Amount* column on lines 24a through 24f the partner's distributive share of the total amount for each addition to federal itemized deductions reported on Form IT-204, lines 111a through 111f. Be sure to enter the corresponding letter for each addition in the *Letter* box.

Line 26 – Subtractions from federal itemized deductions

Enter in the *Amount* column on lines 26a through 26f the partner's distributive share of the total amount for each subtraction from federal itemized deductions reported on Form IT-204, lines 113a through 113f. Be sure to enter the corresponding letter for each subtraction in the *Letter* box.

Partner's other information

Line 29a – Partner's share of New York source gross income

You must report to each partner their share of your New York source gross income. Enter the partner's distributive share of New York source gross income from Form IT-204, line 116a.

Line 29b – MCTD allocation percentage

Enter the MCTD allocation percentage of the partnership from Form IT-204, line 116b.

Partner's credit information

Part 1 – Flow through credit bases and information

Brownfield redevelopment tax credit

Lines 30, 31, and 32

Enter the partner's distributive share of any amounts from Form IT-611 in column A. Enter the partner's distributive share of any amounts from Form IT-611.1 in column B.

Line 30 – Enter the partner's distributive share of the site preparation credit component from Form IT-204, line 127.

Line 31 – Enter the partner's distributive share of the tangible property credit component from Form IT-204, line 128.

Line 32 – Enter the partner's distributive share of the on-site groundwater remediation credit component from Form IT-204, line 129.

EZ capital tax credit

Line 33 – Enter the partner's distributive share of credit for the contributions of money to EZ community development projects from Form IT-204, line 130.

Line 34 – Enter the partner's distributive share of a recapture of credit for investments in certified EZ businesses from Form IT-204, line 131.

Line 35 – Enter the partner's distributive share of a recapture of credit for contributions of money to EZ community development projects from Form IT-204, line 132.

QEZE tax reduction credit

Lines 36, 37, and 38

Enter the QEZE employment increase factor, QEZE zone allocation factor, and QEZE benefit period factor from Form IT-204, lines 133, 134, and 135.

Excelsior jobs program tax credit

Lines 39 through 42

Enter the partner's distributive share of the excelsior jobs program tax credit from Form IT-204, lines 136 through 139.

Farmers' school tax credit

Line 43 – Enter the partner's distributive share of acres of qualified agricultural property from Form IT-204, line 140.

Line 44 – Enter the partner's distributive share of acres of qualified conservation property from Form IT-204, line 141.

Line 45 – Enter the partner's distributive share of eligible school district property taxes paid by the partnership from Form IT-204, line 142.

Line 46 – Enter the partner's distributive share of acres of qualified agricultural property converted to nonqualified use from Form IT-204, line 143.

Other flow-through credit bases and information

Lines 47a through 47i – If you were a shareholder in a C corporation that has a special gross income from farming election, enter the code and the partner's distributive share of the amount on lines 47a through 47f as reported on Form IT-204, lines 144a through 144f.

If you are filing multiple Forms IT-604, *Claim for QEZE Tax Reduction Credit*, and/or Form(s) IT-638 enter the code and the partner's credit information on lines 47g through 47i as reported on Form IT-204, lines 144g through 144i.

Part 2 – Flow through credits, addbacks, and recaptures

Lines 48, 49, and 50

Enter the partner's distributive share of the:

- long-term care insurance credit from Form IT-204, line 145

- investment credit (including the employment incentive credit and historic barn rehabilitation credit) from Form IT-204, line 146a
- research and development credit – investment credit from Form IT-204, line 146b

Line 51 – For all other credits, you must enter the 3-digit code number identifying each credit and the partner's distributive share of that credit from Form IT-204, lines 147a through 147h.

Line 52 – For all other addbacks of credits and recaptures, you must enter the 3-digit code number identifying each addback or recapture and the partner's distributive share of that addback or recapture from Form IT-204, lines 148a through 148f.

Part 3 – START-UP NY tax elimination credit information

Lines 53, 54, and 55

Enter on these lines the information from Form IT-204, lines 149, 150, and 151.

Privacy notification

New York State Law requires all government agencies that maintain a system of records to provide notification of the legal authority for any request, the principal purpose(s) for which the information is to be collected, and where it will be maintained. To view this information, visit our Web site, or, if you do not have Internet access, call and request Publication 54, *Privacy Notification*. See *Need help?* for the Web address and telephone number.

Need help?



Visit our Web site at **www.tax.ny.gov**

- get information and manage your taxes online
- check for new online services and features



Telephone assistance

Automated income tax refund status: (518) 457-5149

Personal Income Tax Information Center: (518) 457-5181

To order forms and publications: (518) 457-5431

Text Telephone (TTY) Hotline (for persons with hearing and speech disabilities using a TTY): (518) 485-5082



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, call the information center.

Partnership's instructions for Form IT-204.1 New York Corporate Partners' Schedule K

General information

Form IT-204.1, *New York Corporate Partners' Schedule K*, must be completed and filed by a partnership that has corporate partners taxable under Article 9-A. The form contains partnership items reported to the partnership's corporate partners on Form IT-204-CP, *New York Corporate Partner's Schedule K-1*. Submit Form IT-204.1 with your Form IT-204, *Partnership Return*.

Specific instructions

Entire net income (ENI) and minimum taxable income (MTI) information

Line 1 – Tax-exempt interest

Enter all interest received or accrued from federal, state, municipal, and other obligations that was exempt from federal income tax. You may deduct from this amount any expenses attributable to that interest but denied deductibility under IRC section 265. Include a list of items and amounts included on this line.

Line 2 – Federal depreciation

Enter any federal depreciation amounts (including any disposition adjustments), if applicable, from Forms IT-399, *New York State Depreciation Schedule*, and IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*. Submit the form(s) with Form IT-204.

Line 3 – Other state and local taxes

Enter the total amount of taxes paid or accrued to other U.S. states, their political subdivisions, and the District of Columbia, if the taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 4 – Taxes paid to the U.S., possessions of the U.S., or foreign countries

Enter the total amount of taxes paid or accrued to the U.S., its possessions, and any foreign country, if the taxes are on or are measured by profits or income, or include profits or income as a measure of tax, including taxes expressly in lieu of the foregoing.

Line 5 – Taxes related to the farmers' school tax credit

Enter the total amount of real property taxes paid on qualified agricultural property that was deducted by the partnership in computing its income that flowed through to its corporate partners.

Line 6 – Special additional mortgage recording tax

Enter the amount of the special additional mortgage recording tax deducted by the partnership in computing its income that flowed through to its corporate partners to the extent the special additional mortgage recording tax credit flows through the partnership to such corporate partners.

Line 7 – Other additions

Enter in column A any applicable *other additions* by the EA number listed below. List the amount of each addition in column B, and provide the total amount of other additions on line 7.

- ▶ **EA-41 Mining exploration and development costs**
Enter any federal adjustment for mining exploration and development costs determined under IRC section 56(a)(2).
- ▶ **EA-42 Basis adjustment in determining gain or loss from sale or exchange of property** – Enter the federal basis adjustment determined under IRC section 56(a)(6), **except** do not include any basis adjustment made in determining the gain or loss from the sale or exchange of pollution control facilities.
- ▶ **EA-43 Long-term contracts** – Enter any federal adjustment for the treatment of certain long-term contracts determined under IRC section 56(a)(3).
- ▶ **EA-44 Installment sales** – Enter any federal adjustment for installment sales for certain property.
- ▶ **EA-45 Merchant marine capital construction funds**
Enter any federal adjustment for merchant marine capital construction funds determined under IRC section 56(c)(2).
- ▶ **EA-106 Special additional mortgage recording tax basis adjustment** – See A-106 addition modification instruction in Form IT-225-I.
- ▶ **EA-110 Qualified emerging technology investments (QETI)** – See A-110 addition modification instruction in Form IT-225-I.
- ▶ **EA-203 Safe harbor leases** – See A-203 addition modification instruction in Form IT-225-I.
- ▶ **EA-204 Safe harbor leases** – See A-204 addition modification instruction in Form IT-225-I.
- ▶ **EA-208 Sport utility vehicle expense deduction** – See A-208 addition modification instruction in Form IT-225-I.
- ▶ **EA-210 Special depreciation** – See A-210 addition modification instruction in Form IT-225-I.
- ▶ **EA-211 Royalty payments made to a related member or members** – See A-211 addition modification instruction in Form IT-225-I.
- ▶ **EA-212 Environmental remediation insurance premiums** – See A-212 addition modification instruction in Form IT-225-I.
- ▶ **EA-214 Metropolitan commuter transportation mobility tax (MCTMT)** – See A-214 addition modification instruction in Form IT-225-I.
- ▶ **EA-216 Manufacturer's real property tax** – See A-216 addition modification instruction in Form IT-225-I.
- ▶ **EA-217 START-UP New York excise tax on telecommunication services** – See A-217 addition modification instruction in Form IT-225-I.
- ▶ **EA-503 Worldwide net income and losses** – Enter all income from sources outside the United States, minus all allowable deductions attributable to it, that was not included in federal income.

Line 8 – Dividends received

Enter the total dividends received from stock that meets the holding requirements of IRC section 246(c). Include dividends received from subpart F income and dividends received from a money market. Do not include the grossed-up dividends under IRC section 78. Include a breakdown by each stock and money market account.

Line 9 – Foreign dividends gross-up

Enter the total amount of foreign dividend gross-up under IRC section 78.

Line 10 – Allowable New York depreciation

Enter any allowable New York depreciation amounts (including any disposition adjustments), if applicable, from Forms IT-399 and IT-398. Submit the form(s) with Form IT-204.

Line 11 – Other subtractions

Enter in column A any applicable other subtractions by the *ES* number listed below. List the amount of each subtraction in column B, and provide the total amount of other subtractions on line 11.

- ▶ **ES-41 Depletion** – Enter the federal tax preference item for depletion determined under IRC section 57(a)(1).
- ▶ **ES-43 Intangible drilling costs** – Enter the federal tax preference item for intangible drilling costs determined under IRC section 57(a)(2).
- ▶ **ES-111 Distributions made to a victim of Nazi persecution** – See S-111 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-115 Qualified emerging technologies investments (QETI)** – See S-115 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-205 Wage and salary expenses allowed as federal credits but not as federal expenses** – See S-205 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-207 Special depreciation expenditures** – See S-207 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-208 Safe harbor leases** – See S-208 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-209 Safe harbor leases** – See S-209 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-212 Sport utility vehicle expense deduction recapture** – See S-212 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-215 Refund of QEZE credit for real property taxes** – See S-215 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-216 New York State innovation hot spot program** See S-216 subtraction modification instruction in Form IT-225-I.
- ▶ **ES-501 Refund or credit of certain taxes** – Enter the amount of any refund or credit for overpayment of taxes reported in a prior year on federal Form 1065, line 3, 4, or 7, that is now properly included in federal ordinary income for which no exclusion or deduction was allowed in determining federal ordinary income for any prior year.
- ▶ **ES-504 Receipts from the operation of school buses** Enter 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 federal income that are directly or indirectly attributable to those receipts.

Assets and liabilities**Lines 12 through 15**

Average value is generally computed quarterly if your usual accounting practice permits it. However, you may use a more

frequent basis such as monthly, weekly, or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

Line 12 – Total assets

Enter the average value of New York assets in column A and the average value of total assets in column B. Enter the value shown on your books in accordance with generally accepted accounting principles (GAAP).

Line 14 – Real property and marketable securities at fair market value (FMV)

Enter the FMV of real property and marketable securities included on line 13. The *FMV of an asset* is the price (without deduction of an encumbrance whether or not the partnership is personally liable) at which a willing seller will sell and a willing purchaser will buy. You can generally find the FMV of marketable securities from price quotes in financial newspapers. For determination of FMV of real property, see TSB-M-85(18.1)C, *Valuation of Real Property*.

Line 15 – Total liabilities

Enter the total amount of all liabilities attributable to assets on line 12, both long and short term. Use the same method of averaging used to determine average value of assets on line 12.

Stocks, bonds, and other securities**Lines 16 through 19**

The phrase *stocks, bonds, and other securities* includes stocks and similar corporate equity instruments, such as business trust certificates, and units in publicly traded partnerships treated as a corporation for purposes of Tax Law Article 9-A; debt instruments issued by a governmental entity; qualifying corporate debt instruments; options on the foregoing, or on a stock or bond index, or on a futures contract on such an index; and stock rights and stock warrants.

Average value is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis such as monthly, weekly, or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

Submit a list of all stocks, bonds, and other securities by each investment type. List the name of each investment. When identifying debt instruments, also list the date each debt was incurred and the maturity date of such investment. When identifying the stock and other securities, also list the number of shares of such investments.

If you marked an **X** in the *Portfolio investment partnership* box on Form IT-204, line A, you have the option of submitting a statement informing New York that the details for these lines will be made available upon request from the partnership instead of submitting a list of all stocks, bonds, and other securities with the original return. Please note, however, that amounts must be filled in on lines 16 through 19, as applicable.

Line 16 – Total average value of stocks, bonds, and other securities

Enter the total average value of stocks, bonds, and other securities.

Do not include on this line debt instruments issued by the United States, any state, territory, possession of the United States, the District of Columbia, any foreign country, or any

political subdivision or governmental instrumentality of any of the foregoing, and qualifying corporate debt instruments that are deemed to be cash.

Line 17 – Total liabilities directly attributable to stocks, bonds, and other securities

Enter all liabilities, both long-term and short-term, directly attributable to stocks, bonds, and other securities. Use the same method of averaging used to determine the average value on line 16. Submit a list of all liabilities by each stock, bond, or other security.

Line 18 – Total average value of cash on hand and on deposit

Cash includes shares in a money market mutual fund. A *money market mutual fund* is a no-load, open-end investment company registered under the Federal Investment Company Act of 1940 that attempts to maintain a constant net asset value per share (that is, a **money market** fund).

Cash also includes debt instruments deemed cash. A debt instrument must be treated as cash if payable:

- on demand,
- by its terms within six months and one day from the date the debt was incurred, or
- by its terms more than six months and one day from the date the debt was incurred, on each day in the tax year on and after the first day in the tax year that is not more than six months and one day prior to the maturity date.

Line 19 – Total liabilities directly attributable to cash on hand and on deposit

Use the same method of averaging that you used to determine the average value on line 18.

Income from stocks, bonds, and other securities

If you marked an **X** in the *Portfolio investment partnership* box on Form IT-204, line A, you have the option of submitting a statement informing New York that the details for these lines will be made available upon request from the partnership instead of submitting a list of all stocks, bonds, and other securities with the original return. However, amounts **must** be filled in on lines 20 through 29, as applicable.

Line 20 – Interest income from corporate and governmental debt instruments

Enter the interest income received from corporate and governmental debt instruments. Submit a list of each corporate and governmental debt instrument and the amount of interest income received from each investment.

Line 21 – Interest income from bank accounts

Enter interest income received from bank accounts (cash). Include interest income received from a savings account, checking account, time deposit account (other than a certificate of deposit), or similar accounts, which are usually evidenced by a passbook.

Line 22 – All other interest income from stocks, bonds, and other securities

Enter all other interest income received from stocks, bonds, and other securities not included on line 20. Submit a list of each stock, bond, and other security, and the amount of interest income received from each investment.

Line 23 – Dividend income from stocks, bonds, and other securities

Enter dividend income received from stocks, bonds, and other securities. Also include dividends from money market mutual funds. Submit a list of each stock, bond, and other security, and the amount of dividend income received from each investment.

Line 24 – Net capital gain or loss from stocks, bonds, and other securities

Enter any net capital gains or losses from the sale and exchange of securities. Submit a list of each stock, bond, and other security, and the amount of the net capital gain or loss from each investment.

Line 25 – Income from stocks, bonds, and other securities other than interest, dividends, capital gains, or capital losses

Enter all other items of income (other than interest, dividends, capital gains, or capital losses) from stocks, bonds, and other securities. Other items of income include, but are not limited to, premium income from an unexercised covered call option. Submit a list of each stock, bond, and other security, and the amount of the income from each investment.

Line 26 – Interest deductions directly attributable to stocks, bonds, and other securities

Enter the amount of **interest** deductions that are **directly** attributable to stocks, bonds, and other securities (or to the income, losses, or gains from stocks, bonds, and other securities). The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable include, but are not limited to, interest on debt incurred to buy stocks, bonds, and other securities. Submit a list of direct interest deductions for each investment.

Line 27 – Noninterest deductions directly attributable to stocks, bonds, and other securities

Enter the amount of **noninterest** deductions that are **directly** attributable to stocks, bonds, and other securities (or to the income, losses, or gains from these stocks, bonds, and other securities). Submit a list of direct noninterest deductions for each investment.

The direct attribution of deductions is based on an analysis of the facts and circumstances. Deductions directly attributable to stocks, bonds, and other securities include, but are not limited to, the following:

- safe deposit box rentals,
- financial news subscriptions,
- salaries of employees engaged in the management and conservation of stocks, bonds, and other securities,
- investment counsel fees,
- custodian fees,
- the cost of insurance and fidelity bonds,
- expenses for legal advice relating to the acquisition of stocks, bonds, and other securities.

Line 28 – Total interest deductions

Enter the total interest deductions included on federal Form 1065, line 15. Also include any separately stated interest deductions included on federal Form 1065, Schedule K, and not included on line 15 of such form.

Line 29 – Total noninterest deductions

Enter the total noninterest deductions included on federal Form 1065, line 21 (**excluding** federal Form 1065, line 15). Also

include any separately stated noninterest deductions included on federal Form 1065, Schedule K, and not included on line 21 of such form.

Business allocation percentage information and Metropolitan Commuter Transportation District (MCTD) allocation percentage information

Line 30a – Mark an **X** in the Yes box if you did business, employed capital, owned or leased property, or maintained an office in New York State during the reporting year. For more information on doing business, employing capital, owning or leasing property, or maintaining an office, see Regulation section 1-3.2(b).

Line 30b – Mark an **X** in the Yes box if you did business, employed capital, owned or leased property, or maintained an office in the MCTD during the reporting year.

The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Lines 31 through 43

Enter the MCTD amounts in column A, the New York State amounts in column B, and the everywhere amounts in column C. When reading the instructions below, substitute *MCTD* for *New York State* to determine the MCTD amounts.

Average value of property

Average value of property is generally computed quarterly if your usual accounting practice permits it. However, you may use a more frequent basis such as monthly, weekly, or daily. If your usual accounting practice does not permit a quarterly or more frequent computation of the average value of assets, you may use a semiannual or annual computation if no distortion of average value results.

Adjusted basis of real and tangible personal property owned means the adjusted basis of such properties for federal income tax purposes. *FMV of real and tangible personal property owned* means the price (without deduction of an encumbrance whether or not the partnership is personally liable) at which a willing seller will sell and a willing purchaser will buy.

Lines 31 and 32

Adjusted basis and FMV of real estate owned – Enter the average adjusted basis (line 31) and FMV (line 32) of real property you owned. Do not include real property and related equipment (except inventoriable goods) that are under construction and are not occupied or used by the partnership during construction. Include property or equipment under construction that is partially used in the regular course of business of the partnership only to the extent used.

Line 33 – Real estate rented

Enter the average value of rented real property. The value of rented real property is generally eight times the gross rent payable during the year covered by this return. *Gross rent* includes any amount payable as rent or in lieu of rent (such as taxes or repairs), and amortization of leasehold improvements that revert to the lessor at the end of the lease. The term *gross rent* does **not** include amounts payable as separate charges for water and electric service furnished by the lessor, and the portion of any rental payment which is applicable to the space subleased from the partnership and not used by it.

Lines 36 and 37

Tangible personal property of the partnership is considered to be within New York State if and so long as it is physically situated or located in New York State, even though it may be stored in a bonded warehouse. Property of the partnership held in New York State by an agent, consignee, or factor is considered to be situated or located within New York State.

Adjusted basis and FMV of tangible personal property owned – Enter the average adjusted basis (line 36) and FMV (line 37) of tangible personal property you owned, such as machinery, tools, and implements. Do not include cash, shares of stock, bonds, notes, credits, evidences of an interest in property, or evidences of credit.

Line 38 – Tangible personal property rented

Enter the average value of tangible personal property you rented. The value of rented tangible personal property is generally eight times the gross rent payable during the year covered by this return.

Receipts in the regular course of business from:

Line 39 – Sales of tangible personal property

Enter the receipts from the sale of tangible personal property. Receipts from the sale of tangible personal property are allocable to New York State if:

- shipments are made to points in New York State; or
- the receipts are earned within New York State.

Receipts from the sale of tangible personal property are allocated to New York State if:

- The property is shipped via common carrier, contract carrier, or via the partnership's vehicle or other means of transportation, to a point in New York State. If the property is shipped to a point in New York State, it is presumed that the destination of the property is a point in New York State, unless the partnership has evidence that shows the property was shipped to a point outside New York State. It does not matter who arranges for the shipment of the property.
- The possession of the property is transferred to a purchaser or purchaser's designee at a point in New York State. If possession of the property is transferred in New York State, it is presumed that the destination of the property is a point in New York State, unless the partnership has evidence that shows that the destination of the property is a point outside New York State.
- The possession of the property is transferred to a purchaser or purchaser's designee at a point outside New York State, but the destination of the property is a point in New York State. If possession of the property is transferred outside New York State, it is presumed that the destination of the property is a point outside New York State, unless the partnership has evidence that shows the destination of the property is a point in New York State.

Examples of types of evidence that demonstrate the destination of property include:

- A bill of lading or other shipping document designating the destination location, regardless of the free on board (FOB) point.
- A purchase invoice designating the destination location.

Receipts from the sale of works of art by an art merchant

The Arts and Cultural Affairs Law provides that receipts from the sale of works of art by an art merchant are receipts from the sale of tangible personal property (rather than receipts for services performed). Enter these receipts on line 39.

The law applies to works of art that are:

- created by an artist or craftsman; **and**
- consigned by such artist or craftsman to an art merchant; **and**
- sold by the art merchant on or after August 9, 1995.

The law does not apply to consigned works of art sold at a public auction.

Line 40 – Services performed

Enter the receipts for services performed, which generally are based on where they are performed. The receipts from services performed in New York State are allocable to New York State. All receipts from such services are allocated to New York State, whether the services were performed by employees, agents or subcontractors of the partnership, or by any other persons. It is immaterial where such receipts are payable or where they are actually received. Commissions received by a partnership are allocated to New York State if the services for which the commissions were paid were performed in New York State. If the services for which the commissions were paid were performed for the partnership by salesmen attached to or working out of a New York State office of the partnership, the services will be deemed to have been performed in New York State.

Receipts from broadcasting and publishing – Partnerships engaged in broadcasting or the publication of newspapers and periodicals must allocate to New York State receipts from the sale of advertising, if the broadcasts or publications are delivered to the ultimate purchasers, subscribers, listeners, or viewers in New York State.

Receipts for services to regulated investment companies Receipts received from an investment company for the sale of management, administration, or distribution services must be allocated based on the domicile of the shareholders of the investment company (see Tax Law section 210.3(a)(6)). For more information, see TSB-M-88(9)C, *Allocation of Receipts from Services Provided to a Regulated Investment Company (Mutual Fund) and Similar Investment Companies*.

Receipts earned by registered securities or commodities broker or dealer – The rules below apply for determining whether a receipt is deemed to arise from services performed in New York State by a registered securities or commodities broker or dealer.

A registered securities or commodities broker or dealer is a broker or dealer who is registered by the Securities and Exchange Commission (SEC) or the Commodities Futures Trading Commission, and includes over-the-counter (OTC) derivatives dealers as defined under regulations of the SEC (17 CFR 240.3b-12). The terms *securities* and *commodities* have the same meanings as the meanings in IRC sections 475(c)(2) and 475(e)(2).

- **Brokerage commissions** – Brokerage commissions earned from the execution of securities or commodities purchase, or sales orders for the accounts of customers are deemed to arise from a service performed in New York State if the customer who is responsible for paying the commissions is located in New York State.
- **Margin interest** – Margin interest earned on brokerage accounts is deemed to arise from a service performed in New York State if the customer who is responsible for paying the margin interest is located in New York State.
- **Account maintenance fees** – Account maintenance fees are deemed to arise from a service performed in New York State if the customer who is responsible for paying the account maintenance fees is located in New York State.

- **Income from principal transactions** – Gross income from principal transactions (that is, transactions in which the registered broker or dealer is acting as principal for its own account, rather than as an agent for the customer) are deemed to arise from a service performed in New York State if the production credits for these transactions are awarded to a New York State branch, office, or employee of the partnership.

Registered broker dealers may elect to source the gross income from principal transactions based on the location of the customer to the principal transaction. If the election is made, gross income from principal transactions is deemed to arise from a service performed in New York State to the extent that the gross proceeds from the transactions are generated from sales of securities or commodities to customers within New York State based upon the mailing addresses of those customers in the records of the partnership. For additional information, see TSB-M-02(5)C, *Summary of Corporation Tax Legislative Changes Enacted in 2002*.

- **Fees from advisory services for the underwriting of securities** – Fees earned from advisory services for a customer in connection with the underwriting of securities (where the customer is the entity contemplating the issuance of the securities, or is issuing securities), or for the management of an underwriting of securities, are deemed to arise from a service performed in New York State if the customer responsible for paying the fee is located in New York State.
- **Receipts from the primary spread for the underwriting of securities** – Receipts from the primary spread or selling concession from underwritten securities are deemed to arise from a service performed in New York State, if production credits are awarded to a branch, office, or employee of the partnership in New York State as a result of the sale of underwritten securities.
- **Interest earned on loans to affiliates** – Interest earned on loans and advances made to an affiliate are deemed to arise from a service performed in New York State, if the principal place of business of the affiliate who is responsible for the payment of interest is located in New York State.
- **Fees for management or advisory services** – Fees earned from management or advisory services, including fees from advisory services for activities relating to mergers or acquisition activities, are deemed to arise from a service performed in New York State if the customer responsible for paying these fees is located in New York State.

A customer is *located in New York State* if the mailing address of the customer, as it appears in the broker's or dealer's records, is in New York State. For more information, see TSB-M-00(5)C, *Summary of Corporation Tax Legislative Changes Taking Effect in 2001 and After*, pages 6 through 8.

Air freight forwarders – Allocate receipts for services performed by air freight forwarders acting as principal and like indirect air carriers to New York State as follows:

Receipts from:	Allocate receipts
Pickup and delivery both made in NYS	100% to NYS
Pickup only made in NYS	50% to NYS
Delivery only made in NYS	50% to NYS

Transporting or transmitting gas through pipes – Allocate receipts from the service of transporting or transmitting gas through pipes to New York State using the following formula:

$$\frac{\text{Miles of transportation units within NYS}}{\text{Miles of transportation units within and outside NYS}} \times \frac{\text{Receipts from the service of transporting or transmitting gas through pipes}}{\text{Receipts from the service of transporting or transmitting gas through pipes allocated to NYS}} = \text{Receipts from the service of transporting or transmitting gas through pipes allocated to NYS}$$

A *transportation unit* is the transportation of one cubic foot of gas over a distance of one mile.

Line 41 – Rentals of property

Enter the receipts from all property that was rented to others. Receipts from rentals of real and tangible personal property situated in New York State are allocated to New York State. *Rental receipts* include all amounts received for the use of, or occupation of property, whether or not such property is owned by the partnership. Gross receipts from real and tangible personal property that is subleased must be included.

Line 42 – Royalties

Enter the receipts of royalties. Receipts of royalties from the use in New York State of patents and copyrights are allocated to New York State. *Royalties* include all amounts received by the partnership for the use of patents or copyrights, whether or not such patents or copyrights were issued to or are owned by the partnership. A patent or copyright is used in New York State if the activities thereunder are carried on in New York State.

Line 43 – Other business receipts

Enter all other business receipts, allocated where earned. Business receipts are not considered to have been earned by the partnership merely because they were payable in New York State, or were actually received in New York State. See Regulation section 4-4.6.

Payroll

Line 44 – Wages and other compensation of employees, except employees having partnership-wide authority

In column A, enter the wages, salaries, and other compensation of employees (**excluding** employees having partnership-wide authority or having responsibility for an entire division of the partnership) located within **the MCTD**. Employees within the MCTD include all employees regularly connected with or working out of an office or other place of business you maintained within the MCTD, no matter where the services of the employees were performed.

In column B, enter the wages, salaries, and other compensation of employees (**excluding** employees having partnership-wide authority or having responsibility for an entire division of the partnership) located within **New York State**. Employees within New York State include all employees regularly connected

with or working out of an office or other place of business you maintained within New York State, no matter where the services of the employees were performed.

In column C, enter the wages, salaries, and other compensation of employees (**excluding** employees having partnership-wide authority or having responsibility for an entire division of the partnership) located **everywhere**.

Line 45 – Number of employees

In column B, enter the total number of employees (**including** employees having partnership-wide authority, or having responsibility for an entire division of the partnership) located **within New York State** during the reporting period.

In column C, enter the total number of employees (**including** employees having partnership-wide authority, or having responsibility for an entire division of the partnership) located **everywhere** during the reporting period.

Receipts and qualified manufacturing property

Line 46 – New York receipts

Enter the business receipts from the sales of tangible personal property, services performed, rentals, royalties, receipts from the sales of rights for closed circuit and cable television transmissions, and all other business receipts received in the regular course of business within New York State.

Line 47 – Total receipts from the sale of goods by manufacturing

Enter the total receipts from the sale of goods produced by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.

Line 48 – Total receipts from the lending of funds

Enter the total receipts of interest from loans made by the partnership, and any net gain from the sale or redemption of notes or other evidences of indebtedness arising from such loans. Do not include return of principal or nonrecurring, extraordinary items.

Line 49 – Adjusted basis of qualified manufacturing property

Enter the adjusted basis, for federal income tax purposes, of qualified manufacturing property at the close of the tax year. The term *qualified manufacturing property* means property which:

- has a situs in New York State; and
- is principally used by the partnership in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.

Partnership's instructions for Form IT-204-CP New York Corporate Partner's Schedule K-1

General information

Form IT-204-CP, *New York Corporate Partner's Schedule K-1*, should be provided to each corporate partner taxable under Article 9-A on or before the day on which the partnership return is required to be filed.

Corporate partners taxable under Article 9-A should obtain a copy of Form IT-204-CP-I, *Partner's Instructions for Form IT-204-CP*, to help them report on their franchise tax return the items shown on their Form IT-204-CP.

Specific instructions

Partnership's information

On each Form IT-204-CP, enter the name and EIN of the partnership.

Partner's information

For the corporate partner for which you are completing this Form IT-204-CP, enter the partner's name, address, and EIN.

Item G – Enter the partner's share percentages as reported on federal Schedule K-1, item J.

Item H – Enter the partner's share of liabilities as reported on federal Schedule K-1, item K.

Item I – Enter the partner's capital account analysis as reported on federal Schedule K-1, item L. However, enter on lines 2 and 3 of item I, the amount of cash and property contributed by **that** corporate partner taxable under Article 9-A to the partnership as shown on New York State Form IT-204, Section 6, lines 76 and 77. Enter on line 5 of item I, the amount of withdrawals and distributions of cash to **that** corporate partner taxable under Article 9-A, from Form IT-204, Section 6, line 81. Enter on line 6 of item I, the amount of withdrawals and distributions of property made to **that** partner from Form IT-204, Section 6, line 82.

Item J – If this corporate partner submitted a Form CT-2658-E, *Certificate of Exemption from Partnership Estimated Tax Paid on Behalf of Corporate Partners*, that is **valid** for 2014, mark an **X** in the **Yes** box. If the **Yes** box is marked, do not complete item K.

Item K – Enter the amount of estimated tax paid on behalf of the partner from Form(s) CT-2658 on lines K1 through K4, and the total amount paid on line K. If you need more space to report payments, include a separate sheet showing all relevant prepayment information. Transfer the total shown on the additional sheet to item K.

Partner's distributive share and proportionate part

A partner's *distributive share* of any item of income, gain, loss, deduction, or credit shall generally be determined by the partnership agreement (see IRC section 704(a)). However, IRC section 704(b) provides that if (1) the partnership agreement does not specify the partner's distributive share of such item, or (2) the allocation of such items to a partner under the partnership agreement does not have substantial economic effect, then a partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) must be determined in accordance with the partner's interest in the partnership, determined by taking into account all of the facts and circumstances.

A corporate partner's *proportionate part* of the partnership's assets, liabilities, and activities is generally determined in accordance with the corporate partner's capital interest in the partnership. For more information see Regulation section 3-13.3(a)(2).

Partner's share of entire net income (ENI) and minimum taxable income (MTI) information when the corporate partner's New York tax filing status is a C corporation

The ENI and MTI modifications listed on pages 14 and 15 of these instructions must be added to or subtracted from each corporate partner's federal taxable income in arriving at the corporate partner's ENI and MTI.

Lines 1 through 11

For the corporate partner, enter its distributive share of the ENI and MTI modifications listed on Form IT-204.1 on the corresponding lines of Form IT-204-CP.

Line 7 Other additions – For the corporate partner, enter its distributive share of the other addition modifications listed on Form IT-204.1. Enter in column A any applicable *other additions* by *EA* number, and list the amount of each addition in column B. Provide the total amount of other additions on line 7.

Line 11 Other subtractions – For the corporate partner, enter its distributive share of the other subtraction modifications listed on Form IT-204.1. Enter in column A any applicable *other subtractions* by *ES* number, and list the amount of each subtraction in column B. Provide the total amount of other subtractions on line 11.

Partner's proportionate part of assets and liabilities

Lines 12 through 15

Enter the corporate partner's proportionate part of the assets and liabilities listed on the corresponding lines of Form IT-204.1.

Enter the average New York State amount in column A, line 12, and the average everywhere amount in column B, lines 12 through 15.

Partner's proportionate part of stocks, bonds, and other securities

Lines 16 through 19

Enter the corporate partner's proportionate part of stocks, bonds, and other securities listed on the corresponding lines of Form IT-204.1.

You must provide the corporate partner with a breakdown of these items by individual stocks, bonds, and other securities, in order for the corporate partner to properly determine if the stock, bond, or other security is subsidiary capital, investment capital, or business capital.

If you marked an **X** in the *Portfolio investment partnership* box on Form IT-204, line A, you have the option of submitting a statement informing the partner that the details for these lines will be made available upon request from the partnership instead of submitting a list of all stocks, bonds, and other securities. Please note, however, that amounts must be filled in on lines 16 through 19, as applicable.

Partner's share of income from stocks, bonds, and other securities

Lines 20 through 29

Enter the corporate partner's distributive share of income from stocks, bonds, and other securities listed on the corresponding lines of Form IT-204.1.

You must provide the corporate partner with a breakdown of these income items by individual stocks, bonds, and other securities, in order for the corporate partner to determine if the income is from subsidiary capital, investment capital, or business capital.

If you marked an **X** in the *Portfolio investment partnership* box on Form IT-204, line A, you have the option of submitting a statement informing the partner that the details for these lines will be made available upon request from the partnership instead of submitting a list of all stocks, bonds, and other securities. Please note, however, that amounts must be filled in on lines 20 through 29, as applicable.

Partner's share and proportionate part of the business allocation percentage information and Metropolitan Commuter Transportation District (MCTD) allocation percentage information

Line 30a – Mark an **X** in the Yes box if you did business, employed capital, owned or leased property, or maintained an office in New York State during the reporting year. For more information on doing business, employing capital, owning or leasing property, or maintaining an office, see Regulation section 1-3.2(b).

Line 30b – Mark an **X** in the Yes box if you did business, employed capital, owned or leased property, or maintained an office in the MCTD during the reporting year.

The MCTD includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Average value of property

Lines 31 through 38

Enter the corporate partner's distributive share or proportionate part of the partnership's real and tangible personal property, owned or rented during the applicable partnership year.

If you leased or rented real or tangible personal property from the corporate partner, eliminate these inter-entity rental expenses from the corporate partner's distributive share of real or tangible personal property rented. See Regulation sections 4-6.5(a)(2)(i) and 4-6.5(a)(3), *Example 1*.

Enter the MCTD amounts in column A, the New York State amounts in column B, and the total amounts in column C.

Receipts in the regular course of business from:

Lines 39 through 43

Enter the corporate partner's distributive share of the partnership's business receipts during the applicable partnership year.

If you have receipts from sales to the corporate partner, eliminate these inter-entity receipts from the corporate partner's distributive share of the partner's business receipts. See Regulation sections 4-6.5(a)(2)(ii) and 4-6.5(a)(3), *Example 4*.

Enter the MCTD amounts in column A, the New York State amounts in column B, and the total amounts in column C.

Payroll

Line 44 – Enter the corporate partner's distributive share of the wages, salaries, and other compensation paid by the partnership to its employees (**excluding** employees of the partnership having partnership-wide authority, or having responsibility for an entire division of the partnership).

Enter the MCTD amounts in column A, the New York State amounts in column B, and the total amounts in column C.

Line 45 – Enter the corporate partner's proportionate part of the number of employees.

Enter the New York State amounts in column B and the total amounts in column C.

Partner's share and proportionate part of receipts and qualified manufacturing property

Lines 46 through 49

Enter the corporate partner's distributive share of receipts and the proportionate part of qualified manufacturing property from Form IT-204.1 on the corresponding lines of this form.

Partner's share of New York modifications (for New York S corporations only)

You must report to each S corporation partner any of the modifications from Form IT-225 or Form IT-204, lines 111 and 113. These modifications must be added to or subtracted from the S corporation shareholder's federal adjusted gross income or federal itemized deductions on their New York State personal income tax return, in arriving at total New York income and New York itemized deduction, respectively. The S corporation must report this information to its shareholders on Form CT-34-SH.

Line 50 New York State additions – Enter in column A on lines 50a through 50f the partner's distributive share of the total amount for each addition modification reported on Form IT-225. Each addition modification is designated by the letters *EA*. Be sure to enter the corresponding number of the addition next to the letters *EA*. If you are reporting more than six addition modifications for the partner, include a separate schedule.

Line 51 – Enter the column A total of lines 50a through 50f and any additional schedule(s) (if more than six addition modifications) on line 51.

Line 52 New York State subtractions – Enter in column A on lines 52a through 52f the partner's distributive share of the total amount for each subtraction modification reported on Form IT-225. Each subtraction modification is designated by the letters *ES*. Be sure to enter the corresponding number of the subtraction next to the letters *ES*. If you are reporting more than six subtraction modifications for the partner, include a separate schedule.

Line 53 – Enter the column A total of lines 52a through 52f and any additional schedule(s) (if more than six subtraction modifications) on line 53.

Line 54 Additions to federal itemized deductions – Enter in the *Amount* column on lines 54a through 54f the partner's distributive share of the total amount of each addition modification reported on Form IT-204, lines 111a through 111f. Be sure to enter the corresponding letter for each addition in the *Letter* box.

Line 56 Subtractions from federal itemized deductions – Enter in the *Amount* column on lines 56a through 56f the partner's distributive share of the total amount of each subtraction modification reported on Form IT-204, lines 113a

through 113f. Be sure to enter the corresponding letter for each subtraction in the *Letter* box.

Partner's share of income, deductions, etc.

Lines 59 through 76

Transfer the amounts from the corporate partner's federal Form 1065, Schedule K-1. However, for line 19 of federal Form 1065, Schedule K-1, determine the portion of line 19 that represents distributions of cash and marketable securities, and distributions of other property, and enter those amount(s) on line 74 and line 75 of Form IT-204-CP respectively. Be sure to write in the *Identify* boxes, where provided, the type(s) and amount(s) of what is included on each specific line.

Partner's credit information

Part 1 – Flow through credit bases and information

Brownfield redevelopment tax credit

Lines 77, 78, and 79

Enter the partner's distributive share of any amounts from Form IT-611 in column A. Enter the partner's distributive share of any amounts from Form IT-611.1 in column B.

Line 77 – Enter the partner's distributive share of the site preparation cost from Form IT-204, lines 144a through 144f, code **107**.

Line 78 – Enter the partner's distributive share of the tangible property cost from Form IT-204, lines 144a through 144f, code **108**.

Line 79 – Enter the partner's distributive share of the on-site groundwater remediation cost from Form IT-204, lines 144a through 144f, code **109**.

EZ capital tax credit

Line 80 – Enter the partner's distributive share of credit for the contributions of money to EZ community development projects from Form IT-204, line 130.

Line 81 – Enter the partner's distributive share of a recapture of credit for investments in certified EZ businesses from Form IT-204, line 131.

Line 82 – Enter the partner's distributive share of a recapture of credit for contributions of money to EZ community development projects from Form IT-204, line 132.

QEZE tax reduction credit

Lines 83, 84, and 85

Enter the QEZE employment increase factor, QEZE zone allocation factor, and QEZE benefit period factor from Form IT-204, lines 133, 134, and 135.

Excelsior jobs program tax credit

Lines 86 through 89

Enter the partner's distributive share of the excelsior jobs program tax credit from Form IT-204, lines 136 through 139.

Farmers' school tax credit

Line 90 – Enter the partner's distributive share of acres of qualified agricultural property from Form IT-204, line 140.

Line 91 – Enter the partner's distributive share of acres of qualified conservation property from Form IT-204, line 141.

Line 92 – Enter the partner's distributive share of eligible school district property taxes paid by the partnership from Form IT-204, line 142.

Line 93 – Enter the partner's distributive share of acres of qualified agricultural property converted to nonqualified use from Form IT-204, line 143.

Other flow-through credit bases and information

Lines 94a through 94f

Investment tax credit – If you entered code 212 on Form IT-204, lines 144a through 144f, enter code **212** and the partner's proportionate part of the investment tax credit base (excluding R&D property) of such amount, and enter code **218** and the partner's proportionate part of the R&D investment tax credit base.

EZ investment tax credit – If you entered code 163 on Form IT-204, lines 144a through 144f, enter code **163** and the amount of the partner's proportionate part of the EZ investment tax credit base.

FSI investment tax credit – If you entered code 252 on Form IT-204, lines 144a through 144f, enter code **252** and the amount of the partner's proportionate part of the FSI investment tax credit base.

FSI EZ investment tax credit – If you entered code 165 on Form IT-204, lines 144a through 144f, enter code **165** and the amount of the partner's proportionate part of the FSI EZ investment tax credit base.

If you were a shareholder in a C corporation that has a special gross income from farming election, enter the code and the partner's distributive share of the amount on lines 94a through 94f as reported on Form IT-204, lines 144a through 144f.

Lines 94g through 94l

If you are filing multiple Forms IT-604, *Claim for QEZE Tax Reduction Credit*, and/or Form IT-638, enter the code and the partner's credit information on lines 94g through 94l as reported on Form IT-204, lines 144g through 144l.

Part 2 – Flow through credits, addbacks, and recaptures

Line 95 – If you reported a long-term care insurance credit on line 145 of Form IT-204, enter code **249** and the partner's distributive share of that amount.

For all other credits, you must enter the 3-digit code number identifying each credit and the partner's distributive share of that credit from Form IT-204, lines 147a through 147h.

Line 96 – For all other addbacks of credits and recaptures, you must enter the 3-digit code number identifying each addback or recapture and the partner's distributive share of that addback or recapture from Form IT-204, lines 148a through 148f.

Part 3 – START-UP NY tax elimination credit information

Lines 97, 98, and 99

Enter on these lines the information from Form IT-204, lines 149, 150, and 151.