

**New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau**

TSB-M-81(6)-I
Income Tax
August 18, 1981

Filing of Unincorporated Business Tax Return

Chapter 69 of the Laws of 1978 added Section 701(a)(6) to Article 23 of the New York State Tax Law providing for the phase out of the Unincorporated Business Tax. (See "M" Memo TSB-M-78-(1)-I dated May 10, 1978).

The unincorporated business tax rate for 1981 is zero, no tax is imposed for 1982 and the repeal of Article 23 is effective December 31, 1982.

Even though the requirement for filing returns is in effect until Article 23 is repealed, the New York State Department of Taxation and Finance will not require the filing of unincorporated business tax returns for taxable years beginning after December 31, 1980.

Accordingly, Form IT-202, instructions IT-202-I and Unincorporated Business Estimated Tax Form IT-2105-UB will no longer be printed. The unincorporated business tax portions of Form IT-204 and instructions IT-204-I will be deleted. Form IT-202-A, which contains the statutory formula for allocating business income of nonresidents to New York State will be redesignated Form IT-203-A, and references to the unincorporated business tax deleted. Taxpayers who received IT-202 Packets in the mail last year will now receive IT-201 Packets. For unincorporated businesses whose taxable year begins in 1980 and ends in 1981, the 4% tax rate is in effect for the entire fiscal year; no proration is to be made.

If an unincorporated business sustains a net operating loss for the tax year beginning on or after January 1, 1981 and before January 1, 1982, a carryback will be allowed. However, since the forms IT-202 and the unincorporated business tax portion of form IT-204 will not be printed for 1981, taxpayers may use 1980 forms and designate the tax year as 1981 in computing the carryback deduction.

For tax years beginning on or after January 1, 1982, computation of a net operating loss will not be allowed for Unincorporated Business Tax purposes since no tax will be imposed on or after January 1, 1982. Accordingly, no carryback will result.