

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

TSB-M-82 (1)-I
Income Tax
January 15, 1982

1981 AMENDMENTS TO
INCOME TAX LAWS

Article 22

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|--|
| 601-C(a) | 1043 | 5 | Technical amendment to include reference to Section 606(h), thereby providing that the credit for depreciable tangible personal property used for research and development not be allowed against the separate tax on lump sum distributions. Effective immediately. Note: Section 601-C must still be amended to include reference to subsections (f) and (g) of Section 606. |
| 601-D(b) | 1043 | 6 | Technical amendment to include reference to Section 606(h), thereby providing that the credit for depreciable tangible personal property used for research and development not be allowed against the separate tax relating to qualified higher education funds. Effective immediately. Note: Section 601-D must still be amended to include reference to subsections (f) and (g) of Section 606. |
| 603-A(b)(1) | 1043 | 7 | Redefines New York personal service income due to the repeal of Section 1348 of the IRC. The new definition follows the Federal definition by incorporating the material contained in Code Sections 911(b) (renumbered to be Section 911(d)(2) by the Economic Recovery Act), 401(c)(2)(C) and 1348(b)(1). Effective for taxable years beginning after 12/31/81. Note: a technical correction is needed. |
| 603-A(c) | 103 | 40 | Eliminates the New York item of tax preference for capital gains from the New York items of tax preference to be subtracted in arriving at personal service taxable income. Effective 1/1/81. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| 606(a)(1) | 103 | 15 | <p>For qualified property acquired prior to 6/1/81 - investment credit allowed is 4%.</p> <p>For qualified property acquired after 5/31/81 and prior to July 1, 1982 - investment credit is 5%.</p> <p>For qualified property acquired after June 30, 1982 - investment credit allowed is 6%.</p> |
| 606(a)(5) | 103 | 19 | Provides for an owner of a new business to make an election to have the excess investment credit refunded without interest rather than carried over to succeeding years. Effective 1/1/82. |
| 606(a)(9) | 103 | 25 | Provides for the investment credit to flow through to shareholders of subchapter s corporations where the election under new Section 660 is made. Effective 1/1/81. |
| 606(a)(10) | 103 | 20 | Defines who is considered to be an owner of a new business for purposes of the new election provided for in Section 606(a)(5). Effective 1/1/82. |
| 606(a)(10)(B) | 1043 | 8 | Technical clarifying amendment to specify under which articles of Chapter 60 a business subject to tax or previously subject to tax under those articles would not qualify as a new business for purposes of the refundable investment credit. Effective 1/1/82. |
| 606(a)(11) | 103 | 22 | Extends investment credit provisions to certain retail enterprises. Applies to investments made on or after 6/1/81. |
| | 1043 | 9 | Technical correcting and clarifying amendment. Applies to investments made on or after 6/1/81. |
| 606(b)(2) | 103 | 68 | Increases the allowable household credit by \$5.00 for each specified household gross income bracket. Effective 1/1/82. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| 606(e)(2) | 103 | 70 | Extends the real property tax credit through 1982, 1983 and 1984. Effective 1/1/82. |
| 606(e)(7)(i) | 103 | 71 | Increases the amount of household gross income a taxpayer may have and be eligible to claim the real property tax credit from \$13,500 in 1981 to \$16,000 for 1982, 1983 and 1984. Effective 1/1/82. |
| 606(e)(9) | 103 | 72 | Amends and extends the time requirement for making the claim for real property tax credit. Where a return is required, Section 687 applies. Where no return is required, a claim may be filed within 3 years from the time a return would have been required. Effective 1/1/81 |
| 606(e)(14) | 103 | 73 | For 1982, 1983 and 1984, the <u>amount</u> of the real property tax credit must be determined under new paragraph (14). Effective 1/1/82. |
| 606(e)(14)(i) | 1043 | 10 | Technical correcting amendment to maintain the difference between homeowners and renters for purposes of computing the real property tax credit. Effective 1/1/82. |
| 606(e)(15) | 103 | 73 | Provides for statistical reports to be prepared by the Tax Commission regarding the real property tax credit. Effective 1/1/82. |
| 606(g) | 852 | 1 | Provides a carryover credit for solar and wind energy systems. The amount of the credit is 55% of the expenditure incurred with a maximum credit of \$2,750. Where both a Federal and State credit apply, the State credit must be reduced so that the combined credit does not exceed 55% of the expenditure or \$6,750, which ever is less. (Note: In no event may the maximum State credit exceed \$2,750). |

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| | | | Provides that the basis of the property may not be increased by the amount of the credit allowed. |
| | | | Provides for the Commissioner of Tax and Finance to adopt regulations, with the concurrence of the Commissioner of the State energy office <u>as necessary</u> to implement this credit. |
| | | | Applies to taxable years beginning on or after 1/1/81 and ending before 12/31/88. However, see the amendment to Section 606(g) made by Chapter 853. |
| | | | Note: There are technical problems with this bill which must be corrected by future legislation. |
| 606(g) | 853 | 1 | Limits the years for which the credit for solar and wind energy systems may be claimed to taxable years beginning on or after 1/1/81 and <u>ending before 12/31/86.</u> |
| 606(h) | 103 | 16 | Provides for a carryover tax credit equal to 10% of the cost or other basis of depreciable tangible personal property used for research and development. Applies to investments made on or after 7/1/82. |
| 606(i) | 852 | 1 | Renumbered cross references. |
| 612(b)(7) | 358 | 1 | Amends the computation of this plus modification by limiting the subtraction of the "maximum amount deductible under IRC Section 62(7)" to "the lesser of \$7,500 or 15% of the earned income derived by the individual from the professional service corporation". NOTE: a similar amendment is needed to Section T46-112.0(b)(7) of the City Law. Effective for taxable years beginning after 12/31/81. |
| | 1043 | 11 | Technical amendment to change the amount of \$7,500 to \$15,000. Effective for taxable years beginning after 12/31/81. NOTE: The City law still has not been amended. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> | | | | | | | | | | | | | | | | | | | | |
|---|----------------|---------------------|--|------------------|------|------|------|------------------------|-----|-----|-----|-----------------------------|-----|-----|-----|---|----|-----|----|---|-----|-----|-----|
| 612(b)(11) | 103 | 41 | <p>Effectively eliminates this modification where the Federal 1202 deduction is 60% or less. Where the Federal 1202 deduction is more than 60% there will be a plus modification required under Section 612(b)(11). Effective 1/1/82</p> <p>Example:</p> <table border="1"> <tr> <td>Net Capital gain</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Federal 1202 deduction</td> <td>60%</td> <td>70%</td> <td>50%</td> </tr> <tr> <td>Percentage included in FAGI</td> <td>40%</td> <td>30%</td> <td>50%</td> </tr> <tr> <td>612(b)(11) addback (amount necessary to reduce Federal 1202 deduction to 60%)</td> <td>0%</td> <td>10%</td> <td>0%</td> </tr> <tr> <td>Effective state and city rate of taxing net capital gains</td> <td>40%</td> <td>40%</td> <td>50%</td> </tr> </table> | Net Capital gain | 100% | 100% | 100% | Federal 1202 deduction | 60% | 70% | 50% | Percentage included in FAGI | 40% | 30% | 50% | 612(b)(11) addback (amount necessary to reduce Federal 1202 deduction to 60%) | 0% | 10% | 0% | Effective state and city rate of taxing net capital gains | 40% | 40% | 50% |
| Net Capital gain | 100% | 100% | 100% | | | | | | | | | | | | | | | | | | | | |
| Federal 1202 deduction | 60% | 70% | 50% | | | | | | | | | | | | | | | | | | | | |
| Percentage included in FAGI | 40% | 30% | 50% | | | | | | | | | | | | | | | | | | | | |
| 612(b)(11) addback (amount necessary to reduce Federal 1202 deduction to 60%) | 0% | 10% | 0% | | | | | | | | | | | | | | | | | | | | |
| Effective state and city rate of taxing net capital gains | 40% | 40% | 50% | | | | | | | | | | | | | | | | | | | | |
| 612(b)(16) | 103 | 36 | <p>Technical conforming amendment to reflect amendment to section 612(b)(11). Changes the reference to 50% to be 40%. Effective 1/1/82.</p> | | | | | | | | | | | | | | | | | | | | |
| 612(b)(17) | 103 | 51 | <p>New plus modification to reflect the provisions of new Section 612(r). Effective immediately.</p> | | | | | | | | | | | | | | | | | | | | |
| 612(b)(18) | 103 | 27 | <p>Provides that where the election under new Section 660 is made, the shareholder of a Subchapter S corporation must add an amount equal to his pro rata share of taxes imposed on the Subchapter S corporation pursuant to IRC Sections 56 and 1378(a) in arriving at NYAGI. Effective 1/1/81.</p> | | | | | | | | | | | | | | | | | | | | |
| 612(b)(19) | 103 | 27 | <p>Provides that where the election under new Section 660 <u>has not</u> been made, the shareholder of a subchapter S corporation must add an amount equal to his portion of the net operating loss loss of the Subchapter S corporation to the extent deducted by the shareholder pursuant to IRC Section 1374 Effective 1/1/81.</p> | | | | | | | | | | | | | | | | | | | | |
| 612(b)(20) | 103 | 27 | <p>Provides that distributions not included in the shareholders FAGI solely because of IRC Section 1375(d) representing income not previously subject to tax under Article 22 because the election under new Section 660 <u>had not</u> been made, must be added in arriving at NYAGI. Effective 1/1/81.</p> | | | | | | | | | | | | | | | | | | | | |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| | 1043 | 12 | Technical correcting amendment. Effective 1/1/81. |
| 612(b)(21) | 103 | 27 | New plus modification to reflect the provisions of New Section 612(n). Effective 1/1/81. |
| 612(b)(22) | 103 | 7 | New plus modification to reflect the provisions of new Section 612(q). Effective 1/1/82. |
| | 1043 | 13 | Technical correcting amendment. Effective 1/1/82. |
| 612(c)(3-a) | 103 | 60 | Provides for the exclusion of up to \$20,000 of pension and annuity income received by an individual not otherwise excluded under Section 612(c)(3) for individuals age 59 1/2 and over. H & W filing joint state return may determine the modification as if separate state returns were being filed. This means that up to \$40,000 could be excluded on a joint return. Effective 1/1/82. |
| | 1043 | 14 | Technical amendment to provide that pensions and annuities (other than distributions from an individual retirement account or an individual retirement annuity and distributions from HR-10 (Keogh) plans) must be periodic payments to qualify for this modification. Also, provides that distributions from an individual retirement account or an individual retirement annuity and distributions from HR-10 plans (other than lump sum distributions from such source <u>which qualify for</u> Federal special 10-year averaging <u>and</u> such lump sum distribution <u>is subject to the separate tax</u> on lump sum distributions under Section 601-C) qualify for this modification whether or not the payments are periodic. Effective 1/1/82. Comments: A lump distribution from an individual retirement account or an individual retirement annuity does not qualify for Federal special 10-year averaging, therefore, such a lump sum distribution will qualify for this modification. |

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|--------------------|----------------|---------------------|---|
| | | | <p>A lump sum distribution from a HR-10 plan that <u>does</u> qualify for Federal special 10-year averaging <u>but</u> the election to use Federal special 10-year averaging <u>is not made</u> does qualify for this modification.</p> <p>A lump sum distribution from other than an individual retirement account or an individual retirement annuity or an HR-10 plan will not qualify for the modification because the payments are not periodic.</p> |
| 612(c)(4) | 103 | 42 | Technical conforming amendment to reflect the amendment to Section 612(b)(11). Changes the reference to sixty percent to be forty percent Effective 1/1/82. |
| 612(c)(19) | 103 | 52 | New minus modification to reflect the provisions of new Section 612(r). Effectuated immediately. |
| 612(c)(20) | 103 | 2 | New minus modification to reflect the provisions of new Section 612(o). Applies to new business investments made on or after 7/1/81. |
| 612(c)(21) | 103 | 28 | New minus modification to reflect the provisions of new Section 612(n). Effective 1/1/81. |
| 612(c)(22) | 103 | 28 | Provides that the shareholder of a Subchapter S corporation may subtract any amount included in FAGI pursuant to IRC Section 1373 where the election provided for in New Section 660 <u>has not been made</u> . Effective 1/1/81. |
| | 1043 | 15 | Technical correcting amendment. Effective 1/1/81. |
| 612(c)(23) | 103 | 8 | New minus modification to reflect the provisions of new Section 612(p). Effective 1/1/82. |
| 612(g)(6) | 103 | 43 | Technical conforming amendment to reflect amendment to Section 612(b)(11). Changes the reference to sixty percent to be forty percent. Effective 1/1/82. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|--|
| 612(i) | 103 | 44 | Technical conforming amendment to reflect amendment to Section 612(b)(11). Changes the reference to sixty percent. To be forty percent Effective 1/1/82. |
| 612(k)(6) | 83 | 1 | Permits rollovers of PASS accounts from one bank to another bank within 60 days of withdrawal from the original bank. |
| 612(n) | 103 | 29 | Where the election provided for in new Section 660 has not been made in a prior year and is made in the year of sale, provides for both a plus modification (see Section 612(b)(21)) and a minus modification (see Section 612(c)(21)) where the shareholder of a Sub-chapter S corporation sells or disposes of some or all of his stock or indebtedness in the Sub-chapter S corporation. These modifications require the adjustment of the federal basis of the stock or indebtedness thereby determining a New York adjusted basis. Therefore, in computing NYAGI, a shareholder's FAGI or federal capital loss carryover must be increased or decreased by an amount equal to the difference between the gain or loss for federal purposes and his re-computed gain or loss for New York purposes. Effective 1/1/81. |
| 612(o) | 103 | 3 | Provides for the subtraction (under Section 612(c)(20)) of up to 100% of the portion of the amount of gain realized from the sale of a new business investment included in FAGI. Further, requires the Tax Commission to prescribe the form and content of the "New Business Certificate" which must be filed by the new business. Applies to new business investments made on or after 7/1/81. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------------|----------------|---------------------|---|
| 612(o)1.(B)(ii) and (iv) | 1043 | 16 | Technical clarifying amendment. Applies to new business investments made on or after 7/1/81. Note: A technical amendment is needed in clause (ii) to include reference to Section 185 of Article 9 and also in clause (iv), on the last line of this clause, the reference to "subparagraph" should be changed to "subsection". |
| 612(o)1.(B)(v)(2) | 1043 | 17 | Technical clarifying amendment. Applies to new business investments made on or after 7/1/81. |
| 612(o)2. | 1043 | 18 | Technical clarifying amendment with regard to determining the amount of the modification permitted under this subsection. Applies to new business investments made on or after 7/1/81. |
| 612(o)3. | 1043 | 19 | Technical correcting amendment. Applies to new business investments made on or after 7/1/81. |
| 612(p) | 103 | 6 | Provides for the subtraction (under section 612(c)(23)) of up to 100% of the capital gain realized from the sale of a capital asset provided all or part of the proceeds are reinvested in a New York new business within one year from the date the capital asset is sold. Effective 1/1/82. |
| | 1043 | 20 | Technical clarifying amendment. Effective 1/1/82. Note: an additional amendment is needed to paragraph (1) of this subsection to eliminate the new reference to "article" and insert reference to the specific sections and articles of Chapter 60 which a taxpayer has been subject to tax under. |
| 612(q) | 103 | 6 | Provides for the addition (under 612 (b) (22)) of up to 100% of the new business investment deferral under Section 612(p) when the reinvestment is sold and not reinvested anew in a New York new business within 12 months. Effective 1/1/82. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> | | | | | | | | | |
|--------------------|----------------|---------------------|---|-----|---|-----|----------------|-----|---------|------------|-------------|---------|
| | 1043 | 21 | Technical clarifying amendment with regard to what taxable year this modification must be made. Effective 1/1/82. | | | | | | | | | |
| 612(r) | 103 | 53 | Provides for both a plus modification (under Section 612(b)(17)) and a minus modification (under Section 612(c)(19)) to take into account the amount necessary to properly reflect the gain or loss realized from the sale or other disposition of property acquired from a decedent and valued by the executor under Section 954(b)(2) or 954-a of Article 26 because the estate was insufficient to require the filing of a federal estate tax return. The amount to be added or subtracted is the amount necessary to properly reflect the gain or loss which would have been realized under Article 22 had a federal estate tax return been filed valuing the property pursuant to Section 2032 or 2032A of the IRC. Effective immediately. | | | | | | | | | |
| | 1043 | 22 | Technical correcting amendment. Effective immediately. Note: This amendment did not properly correct the reference made to Section 954 of the Tax Law. Therefore, another technical correction is needed. | | | | | | | | | |
| 614 | 103 | 62 | Increased Standard Deduction. Effective 1/1/81. <table border="0"> <tr> <td>Min</td> <td>%</td> <td>Max</td> </tr> <tr> <td>Single \$1,500</td> <td>17%</td> <td>\$2,500</td> </tr> <tr> <td>all others</td> <td>\$2,000 17%</td> <td>\$2,500</td> </tr> </table> | Min | % | Max | Single \$1,500 | 17% | \$2,500 | all others | \$2,000 17% | \$2,500 |
| Min | % | Max | | | | | | | | | | |
| Single \$1,500 | 17% | \$2,500 | | | | | | | | | | |
| all others | \$2,000 17% | \$2,500 | | | | | | | | | | |
| 615(c)(1) | 904 | 2 | Technical amendment to reflect the extension of higher City tax rates through 1982. | | | | | | | | | |
| 616 | 103 | 66 | Increases the personal exemption to \$800 for each exemption. Effective 1/1/82. | | | | | | | | | |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| 618(4) | 103 | 54 | Provides for the inclusion of the new plus modifications in paragraphs (17),(18),(19),(20), (21) and (22) of Section 612(b) and the new minus modifications in paragraphs (19), (20) and (21) in determining the New York taxable income of an estate or trust. |
| | 1043 | 23 | Technical amendment to include reference to paragraphs (22) and (23) of Section 612(c). Effective immediately. |
| 622(b)(4) | 103 | 45 | Provides for the subtraction from the federal item of tax preference for capital gains, an amount sufficient (if necessary) to reduce the New York item of tax preference for capital gains to 60% of the net capital gain. Effective 1/1/82. |
| 622(d) | 1043 | 24 | Technical amendment to include reference to subsection (h) of Section 606 thereby providing that the credit relating to research and development expenditures not be allowed against minimum income tax. Note: A technical amendment is needed to this subsection to include reference to subsection (g) of Section 606. Effective immediately. |
| 632(b)(1) | 103 | 30 | Provides that where the election under new Section 660 is made, Sub-chapter S income and loss is considered to be derived from or connected with New York State sources to the extent that the Sub-chapter S income or loss is allocable to New York State under Article 9-A rules. Effective 1/1/81. |
| 632(b)(4) | 103 | 31 | Provides that the modification required by Section 612(b)(20) for Sub-chapter S distributions not included in FAGI because of IRC Section 1375(d) shall not constitute income or gain derived from New York State sources where the election under Section 660 <u>has not</u> been made. Effective 1/1/81. |
| 632(b)(4)(C) | 1043 | 25 | Technical correcting amendment to change the reference to paragraph (19) of Section 612(b) to be paragraph (20) of section 612(b). Effective 1/1/81. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> | | | | | | | | | | | | |
|--------------------|----------------|---------------------|---|--|-----|---|-----|--------|---------|-----|---------|------------|---------|-----|---------|
| 634 | 103 | 63 | Increased Standard Deduction. Effective 1/1/81. | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th></th> <th>Min</th> <th>%</th> <th>Max</th> </tr> </thead> <tbody> <tr> <td>Single</td> <td>\$1,500</td> <td>17%</td> <td>\$2,500</td> </tr> <tr> <td>all others</td> <td>\$2,000</td> <td>17%</td> <td>\$2,500</td> </tr> </tbody> </table> | | Min | % | Max | Single | \$1,500 | 17% | \$2,500 | all others | \$2,000 | 17% | \$2,500 |
| | Min | % | Max | | | | | | | | | | | | |
| Single | \$1,500 | 17% | \$2,500 | | | | | | | | | | | | |
| all others | \$2,000 | 17% | \$2,500 | | | | | | | | | | | | |
| 638(a)(3) | 103 | 55 | Provides for the inclusion of the new plus modification in Section 612(b)(17) and the new minus modification in Section 612(c)(19) in determining the New York taxable income of a non-resident estate or trust. | | | | | | | | | | | | |
| | 1043 | 26 | Technical amendment to include reference to paragraphs (18) and (21) of Section 612(b) and to paragraph (21) of Section 612(c). Effective immediately. | | | | | | | | | | | | |
| 641(d) | 1043 | 27 | Technical amendment to include reference to subsection (h) of Section 606 thereby providing that the credit relating to certain research and development expenditures not be allowed against minimum income tax. Effective immediately. | | | | | | | | | | | | |
| 654(f)(1) | 103 | 64 | Technical conforming amendment to reflect the increased standard deduction provided for in Section 614. Technical correction needed to change the reference to \$2,000 to be \$2,400 for taxable years beginning in 1978 and before 1981. Effective 1/1/81. | | | | | | | | | | | | |
| | 1043 | 28 | Technical correcting amendment to change the reference to \$2,000 to be \$2,400 for taxable years beginning in 1978 and before 1981. Effective 1/1/81. | | | | | | | | | | | | |
| 655(d) | 354 | 1 | Technical correcting amendment to include reference to "fisherman" and to the specific subsection of section 655 which provides the requirements for farmers and fisherman to file their declaration of estimated tax by January 15 of the succeeding taxable year. Applicable to taxable years ending after August 31, 1981. | | | | | | | | | | | | |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|--|
| 655(e) | 354 | 2 | Liberalizes the rule permitting a declaration of estimated tax by a farmer or fisherman to be filed by January 15 of the succeeding taxable year by providing that a declaration may be filed by January 15 of the succeeding taxable year where NYAGI from farming or fishing for the taxable year is at least 2/3 of total estimated NYAGI for the taxable year or where NYAGI from farming or fishing shown on the return for the preceding taxable year is at least 2/3 of the total NYAGI shown on the return. Applicable to taxable years ending after August 31, 1981. |
| 660 | 103 | 32 | Provides that <u>all</u> shareholders of a Sub-chapter S corporation subject to Article 9-A tax, can make an election which will in effect exempt the Sub-chapter S corporation from Article 9-A tax and subjects the nonresident shareholder to Article 22 tax on his distributive share of the Sub-chapter S income allocable to New York State under Article 9-A rules. Resident shareholders would continue to be subject to Article 22 tax in essentially the same manner as before this law change except that they are now required to make a plus modification under Section 612(b)(18). Where the election provided for in this section is not made, the sub-chapter s corporation would continue to be subject to Article 9-A tax, a nonresident shareholder would continue to not be subject to Article 22 tax on his distributive share of the sub-chapter S income and resident shareholders would be subject to the modifications under Sections 612(b)(19) and (20) and Section 612(c)(22). Effective 1/1/81. |
| 660(a)(3) | 1043 | 29 | Technical correcting amendment. Effective 1/1/81. |
| 660(c)(5) | 1043 | 30 | Technical correcting amendment. Effective 1/1/81. |
| 660-d)(1) | 1043 | 31 | Technical correcting amendment. |
| 661 | 103 | 32 | Technical conforming amendment to renumber former Section 660 (change of election) to be Section 661. Effective 1/1/81. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|-----------------------------------|----------------|---------------------|---|
| 674(a)(2),(3), (4),(5) and (6) | 103 | 101 102 | Paragraphs(2) and (3) are amended, former paragraphs (4) and (5) are renumbered to be paragraphs (5) and (6) and a new paragraph (4) is added to provide that employers submit payment of withheld state and city taxes in accordance with the following time table: (effective 6/16/81.) \$.01 - \$ 299.99 - semiannually \$ 300 - \$ 7,499.99 - monthly \$ 7,500- \$34,999.99 - semimonthly \$35,000 or more-quarter-monthly |
| 687(a) | 103 | 74 | Provides that the amount which may be refunded under Section 687(a) is not limited to the tax paid but may now include the real property tax credit. Effective 1/1/81. |
| 687(d) | 548 | 2 | Technical clarifying amendment to make it clear that a claim for credit or refund based on a NOL carryback must be filed within 3 years from the time the return was due for the taxable year of the loss, including any extension of time to file. |
| 697(e) | 527 | 2 | Provides for the Tax Commission to furnish a commissioner of jurors or, in certain cases, a county clerk, a mailing list of individuals to whom income tax forms are mailed for the sole purpose of compiling a list of prospective jurors. |
| 697(j) | 103 | 105 | Eliminates the provision which prohibited the interest rate from exceeding 8 1/2%. Further, sets the interest rate at 14% for personal income tax (other than withheld taxes) for the period commencing on the date the law takes effect (8/13/81) Thereafter, the rate of interest shall be changed by the Commissioner of Taxation & Finance whenever the 1- year constant maturity yield index for |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| | | | <p>US treasury securities differs by more than 2 percentage points from the rate of interest than in effect. In the case of interest payable by an employer with respect to withheld taxes, the rate of interest shall be the rate prescribed in Section 1096(e)(2) (Corporation Tax rates). Therefore, the interest rate for late payment of withheld taxes will be 17% effective for the period commencing on the date the law takes effect (8/13/81). Thereafter, the rate of interest shall be tied to the average prime rate when there is a difference of at least 2 percentage points. Effective 90 days after enactment - this bill was signed 5/15/81, therefore these provisions take effect on 8/13/81.</p> <p><u>NOTE:</u> With regard to interest on under payments and overpayments of withheld taxes, also see the amendment to Section 697(j)(3).</p> |
| 697(j)(2) | 1043 | 32 | Provides that the interest rate be rounded to the nearest one-tenth of a percentage point and other technical clarifying amendments. Effective immediately. |
| 697(j)(3) | 1043 | 33 | Technical correcting amendment to provide that the rate of interest payable on both under payments and overpayments of withheld taxes be at the rate prescribed by Section 1096(e)(2) of the Tax Law. The original law provided only that the rate of interest on under payments of withheld taxes be prescribed by Section 1096(e)(2). |

Article 30

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|---------------------|----------------|---------------------|---|
| 1304(a),(b) and (d) | 904 | 3 | Increased City tax rates remain in effect through 1982. |

Article 8

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| effects 171-a | 45 | 1 | The Statewide reporting system was to be in effect through 3/31/81. This Bill extends the wage reporting system provisions through 3/31/84. This Bill amends Sections 6 and 7 of Chapter 545 of the Laws of 1978. |

Title T of the
Administrative Code of the
City of New York

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|--|---------------------|--|
| | <u>Local Law</u> | | |
| T46-102.0(a) | 71 | 1 | Increased City rates remain in effect through 1982. |
| | <u>Local Law</u> | | |
| T46-102.0(b) | 71 | 2 | Increased City rates remain in effect through 1982. |
| | NOTE: Section T46-112.0(b)(7) must be amended to reflect the changes made to Section 612(b)(7) by Chapters 358 and 1043 of the Laws of 1981. | | |
| T46-112.0(b)(11) | 103 | 47 | Effectively eliminates the capital gain modification where the federal 1202 deduction is 60% or less. Where the federal 1202 deduction is greater than 60%, there will be a plus modification required by this paragraph. Effective 1/1/82. (also, see amendment to Section 612(b)(11).) |
| T46-112.0(b)(17) | 103 | 37 | Technical conforming amendment to reflect the change in Section T46-112.0(b)(11) changes the reference to fifty percent to be forty percent. Effective 1/1/82. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| T46-112.0(b)(18) | 103 | 56 | New plus modification to reflect the provisions of new Section T46-112.0(q). Effective immediately. |
| T46-112.0(b)(19) | 103 | 33 | Provides that where the election under new Section 660 of the State Tax Law is made, the shareholder of a Sub-chapter S corporation must add an amount equal to his pro rata share of the taxes imposed on the Sub-chapter S corporation pursuant to IRC arriving at NYAGI. Effective 1/1/81. |
| T46-112.0(b)(20) | 103 | 33 | Provides that where the election under new Section 660 of the <u>State Tax Law has not been made</u> , the shareholder of a Sub-chapter S corporation must add an amount equal to his portion of the NOL of the Sub-chapter S corporation to the extent deducted by the shareholder pursuant to IRC Section 1374. |
| T46-112.0(b)(21) | 103 | 33 | Provides that distributions not included in the shareholders FAGI solely because of IRC Section 1375(d) and representing income not previously subject to tax under Title T because the election under new Section 660 of the State Tax Law <u>had not</u> been made, must be added in arriving at NYAGI. Effective 1/1/81. |
| | 1043 | 41 | Technical correcting amendment. Effective 1/1/81. |
| T46-112.0(b)(22) | 103 | 33 | New plus modification to reflect the provisions of new Section T46-112.0(m). Effective 1/1/81. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|--|
| T46- 112.0(b)(23) | 103 | 10 | New plus modification to reflect the provisions of new Section T46-112.0(p). Effective 1/1/82. |
| | 1043 | 42 | Technical correcting amendment. Effective 1/1/82. |
| T46-112.0(c)(3-a) | 103 | 61 | Provides for the exclusion of up to \$20,000 of pension and annuity income not otherwise excluded under Section T46-112.0(c)(3) for individuals age 59 1/2 and over. A H & W filing a joint state return may compute the modification as if separate state returns were being filed. This means that up to \$40,000 could be excluded on a joint return. Effective 1/1/82. |
| | 1043 | 43 | See the amendment to Section 612(c)(3-a) of Article 22 by Bill Section 14 of Chapter 1043 of the Laws of 1981. |
| T46-112.0(c)(4) | 103 | 48 | Technical conforming amendment to reflect amendment to Section T46-112.0(b)(11). Changes the reference to sixty percent to be forty percent. Effective 1/1/82. |
| T46-112.0(c)(18) | 103 | 57 | New minus modification to reflect the provisions of T46-112.0(q). Effective immediately. |
| T46-112.0(c)(19) | 103 | 4 | New minus modification to reflect the provisions of new Section T46-112.0(n). Applies to new business investments made on or after July 1, 1981. |
| T46-112.0(c)(20) | 103 | 34 | Provides that the shareholder of a Sub-chapter S corporation may subtract any amount included in FAGI pursuant to IRC Section 1373 where the election provided for in new Section 660 <u>has not</u> been made. Effective 1/1/81. |

| <u>Law Section</u> | <u>Chapter</u> 1043 | <u>Bill Section</u> 44 | <u>Brief Summary</u> |
|--------------------|------------------------|---------------------------|--|
| | | | Technical correcting amendment. Effective 1/1/81. |
| T46-112.0(c)(21) | 103 | 11 | New minus modification to reflect the provisions of new Section T46-112.0(o). Effective 1/1/82. |
| T46-112.0(c)(22) | 103 | 34 | New minus modification to reflect the provisions of new Section T46-112.0(m). Effective 1/1/81. |
| T46-112.0(g)(6) | 103 | 49 | Technical conforming amendment to reflect amendment to Section T46-112.0(b)(11). Changes the reference to sixty percent to be forty percent. Effective 1/1/82. |
| T46-112.0(i) | 103 | 50 | Technical conforming amendment to reflect amendment to Section T46-112.0(b)(11). Changes the reference to sixty percent to be forty percent. Also includes a technical correction to include reference to Section 613A of the IRC. Effective 1/1/82. |
| T46-112.0(k)(6) | 83 | 2 | Permits rollovers of PASS accounts from one bank to another bank within 60 days of withdrawal from the original bank. |
| T46-112.0(m) | 103 | 35 | Where the election provided for in new Section 660 of the State Tax Law <u>has not</u> been made, provides for both a plus modification (see Section T46-112.0(b)(22)) and a minus modification (see Section T46-112.0(b)(22)) where the shareholder of a Sub-chapter S corporation sells or disposes of some or all of his stock or indebtedness in the Sub-chapter S corporation. These modifications require the adjustment of the federal basis of the stock or indebtedness |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|-----------------------------------|----------------|---------------------|---|
| | | | thereby determining a New York adjusted basis. Therefore, in computing NYAGI, a shareholder's FAGI or federal capital loss carryover must be increased or decreased by an amount equal to the difference between the gain or loss for federal purposes and his re-computed gain or loss for New York purposes. Effective 1/1/81. |
| T46-112.0(n) | 103 | 5 | Provides for the subtraction (under Section T46-112.0 (c)(19)) of up to 100% of the portion of the amount of gain realized from the sale of a "new business investment" included in FAGI. Requires the Tax Commission to prescribe the form and content of the "New Business Certificate" which must be filed by the new business. Applies to new business investments made on or after 7/1/81. |
| T46-112.0(n)1.(B) (ii) and(iv) | 1043 | 45 | Technical clarifying amendment. Applies to new business investments made on or after 7/1/81. NOTE: A technical amendment is needed in clause (ii) to include reference to Section 185 of Article 9 and also in clause (iv), on the last line of this clause, the reference to "subsection" should be changed to "subdivision". |
| T46-112.0(n)1. (v)(2) | 1043 | 46 | Technical clarifying amendment. Applies to new business investments made on or after 7/1/81. |
| T46-112.0(n)2. | 1043 | 47 | Technical clarifying amendment with regard to determining the amount of the modification permitted under this subdivision. Applies to new business investments made on or after 7/1/81. |
| T46-112.0(n)3. | 1043 | 48 | Technical correcting amendment. Applies to new business investments made on or after 7/1/81. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|--|
| T46-112.0(o) | 103 | 9 | Provides for the subtraction (under Section T46-112.0(c)(21)) of the capital gain realized from the sale of a capital asset provided all or part of the proceeds are reinvested in a New York new business within one year from the date the capital asset is sold. Effective 1/1/82. |
| | 1043 | 49 | Technical clarifying amendment. Effective 1/1/82. NOTE: A technical amendment is needed to paragraph (1) of this subdivision. See Section 612(p) of Article 22. |
| T46-112.0(p) | 103 | 9 | Provides for the addition under Section T46-112.0(b) (23) of up to 100% of the new business investment deferral under Section T46-112.0(o) when the reinvestment is sold and not reinvested anew in a New York new business within 12 months. Effective 1/1/82. |
| | 1043 | 50 | Technical clarifying amendment with regard to what taxable year this modification must be made. Effective 1/1/82. |
| T46-112.0(q) | 103 | 58 | Provides for both a plus modification (under Section T46-112.0(b)(18)) and a minus modification (under Section T46-112.0(c)(18)) to take into account the amount necessary to properly reflect the gain or loss realized from the sale or other disposition of property acquired from a decedent and valued by the executor under Section 954(b)(2) or 954-a of Article 26 because the estate was insufficient to require the filing of a federal estate tax return. The amount to be added or subtracted is the amount necessary to properly reflect the gain or loss which would have been realized under Title T had a federal estate tax return been filed valuing the property pursuant to IRC Section 2032 |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> or 2032A. Effective immediately. | | | | | | | | | | | | |
|----------------------|----------------|---------------------|---|--|------|---|------|--------|---------|-----|---------|------------|---------|-----|---------|
| T46-114.0 | 1043 | 51 | Increased standard deduction. <table border="0"> <tr> <td></td> <td>Min.</td> <td>%</td> <td>Max.</td> </tr> <tr> <td>Single</td> <td>\$1,500</td> <td>17%</td> <td>\$2,500</td> </tr> <tr> <td>All others</td> <td>\$2,000</td> <td>17%</td> <td>\$2,500</td> </tr> </table> Effective immediately. | | Min. | % | Max. | Single | \$1,500 | 17% | \$2,500 | All others | \$2,000 | 17% | \$2,500 |
| | Min. | % | Max. | | | | | | | | | | | | |
| Single | \$1,500 | 17% | \$2,500 | | | | | | | | | | | | |
| All others | \$2,000 | 17% | \$2,500 | | | | | | | | | | | | |
| T46-116.0 | 103 | 67 | Increases the personal exemption to \$800 for each exemption. Effective 1/1/82. | | | | | | | | | | | | |
| T46-118.0(4) | 103 | 59 | Provides for the inclusion of the new plus modifications in paragraphs (18),(19),(20), (21) and (22) of Section T46-112.0(b) and the new minus modifications in paragraphs (18), (19), (20), (21) and (22) in determining the New York taxable income of an estate or trust. Effective immediately. | | | | | | | | | | | | |
| | 1043 | 52 | Technical amendment to include reference to paragraph (23) of Section T46-112.0(b). Effective immediately. | | | | | | | | | | | | |
| T46-122.0 (b)(4) | 103 | 46 | Provides for the subtraction from the federal item of tax preference for capital gains, an amount sufficient (if necessary) to reduce the New York item of tax preference for capital gains to 60% of the net capital gain. Effective 1/1/82. | | | | | | | | | | | | |
| T46-154.0 (f)(1) | 103 | 65 | Technical conforming amendment to reflect the increased standard deduction. NOTE: Section T46-114.0 should be amended to reflect the changes made in Section 614 of Article 22. | | | | | | | | | | | | |
| T46155.0 (d) and (e) | 354 | 4 | Technical correcting amendment to subsection (d). See amendment to Section 655(d) of Article 22. Amends Subdivision (e) to liberalize the rule permitting a declaration of estimated tax by a farmer or fisherman to be filed by January | | | | | | | | | | | | |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> | | | | | | | | | | | | | | | |
|---|----------------|---------------------|--|--|-------|-----------|----------|-----------|---------------|----------|-------------|----------|----------|-------------|--------------|------------------|-----------|---------|
| | | | 15 of the succeeding taxable year. See amendment to Section 655(e) of Article 22. Applicable to taxable years ending after August 31, 1981. | | | | | | | | | | | | | | | |
| T46-174.0(a), (2),(3),(4), (5),(6)and (7) | 103 | 103 104 | Paragraphs (2) and (3) are amended former paragraphs (4), (5) and (6) are re-numbered to be paragraphs (5) (6) and (7) and a new paragraph (4) is added to provide that employers submit payment of withheld state and City taxes in accordance with the following time table: <table border="0"> <tr> <td></td> <td>\$.0</td> <td>-annually</td> </tr> <tr> <td>\$.01 -</td> <td>\$ 299.99</td> <td>-semiannually</td> </tr> <tr> <td>\$ 300 -</td> <td>\$ 7,499.99</td> <td>-monthly</td> </tr> <tr> <td>\$ 7,500</td> <td>\$34,999.99</td> <td>-semimonthly</td> </tr> <tr> <td>\$35,000 or more</td> <td>quarter -</td> <td>monthly</td> </tr> </table> | | \$.0 | -annually | \$.01 - | \$ 299.99 | -semiannually | \$ 300 - | \$ 7,499.99 | -monthly | \$ 7,500 | \$34,999.99 | -semimonthly | \$35,000 or more | quarter - | monthly |
| | \$.0 | -annually | | | | | | | | | | | | | | | | |
| \$.01 - | \$ 299.99 | -semiannually | | | | | | | | | | | | | | | | |
| \$ 300 - | \$ 7,499.99 | -monthly | | | | | | | | | | | | | | | | |
| \$ 7,500 | \$34,999.99 | -semimonthly | | | | | | | | | | | | | | | | |
| \$35,000 or more | quarter - | monthly | | | | | | | | | | | | | | | | |
| T46-187.0(d) | 548 | 12 | Technical clarifying amendment to make it clear that a claim for credit or refund based on a NOL carryback must be filed within 3 years from the time the return was due for the taxable year of the loss, including any extension of time to file. | | | | | | | | | | | | | | | |
| T46-197.0(e) | 527 | 3 | Provides for the Tax Commission to furnish a commissioner of jurors or, in certain cases, a county clerk, a mailing list of individuals to whom income tax forms are mailed for the sole purpose of compiling a list of prospective jurors. | | | | | | | | | | | | | | | |
| T46-197.0(j) | 103 | 110 | Eliminates the provision which prohibited the interest rate from exceeding 8 1/2%. Further, provides for an interest rate of 14% effective for the period commencing on the date the law takes effect (8/13/81). Thereafter, the rate of interest shall be changed by the Commissioner of Taxation and Finance whenever the 1-year constant maturity yield index for US treasury securities differs by more than 2 percentage points from the rate of interest then in effect. In the case of interest payable by an employer | | | | | | | | | | | | | | | |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--|------------------|---------------------|--|
| | | | with respect to withheld taxes, the rate of interest shall be the rate prescribed in Section 1096(e)(2) (Corporation Tax rates). Therefore, the interest rate for late payment of withheld taxes will be 17% effective for the period commencing on the date the law takes effect (8/13/81). Thereafter, the rate of interest shall be tied to the average prime rate when there is a difference of at least 2 percentage points. Effective 90 days after enactment - this bill was signed 5/15/81, therefore these provisions take effect on 8/13/81. <u>NOTE:</u> With regard to interest on under-payments and overpayments of withheld taxes, also see the amendment to Section T46-197.0(j)(3) |
| T46-197.0(j)(2) | 1043 | 53 | Provides that the interest rate be rounded to the nearest one-tenth of a percentage point and other technical clarifying amendments. Effective immediately. |
| T46-197.0(j)(3) | 1043 | 54 | Technical correcting amendment to provide that the rate of interest payable on both under-payments and overpayments of withheld taxes be at the rate prescribed by Section 1096(e)(2) of the State Tax Law. The original law provided only that the rate of interest on under-payments be prescribed by Section 1096(e)(2). |
| Title U of the Administrative Code of the City of New York | | | |
| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
| | <u>Local Law</u> | | |
| U46-2.0(a) | 71 | 3 | Increased City Rates remain in effect through 1982. |
| U46-6.0(d) | 354 | 5 | Liberalizes the rule permitting a declaration of estimated tax by a farmer or fisherman to be filed by January 15 of the succeeding taxable year. See amendment to Section 655(e) of Article 22. Applicable to taxable years ending after August 31, 1981. |

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|---|
| U46-34.0 | 103 | 111 | Technical conforming amendment to provide that the rate of interest shall be the same as that prescribed in Title T (see Section T46-197.0(j)). |
| U46-38.0 | 103 | 112 | Technical conforming amendment to provide that the rate of interest shall be the same as that prescribed in Title T (see Section T46-197.0(j)). |

State General City Law
Section 25-m

| <u>Law Section</u> | <u>Chapter</u> | <u>Bill Section</u> | <u>Brief Summary</u> |
|--------------------|----------------|---------------------|--|
| 2-A(a) | 904 | 1 | Increased City tax rates remain in effect through 1981. |
| 6(d) | 354 | 3 | Liberalizes the rule permitting a declaration of estimated tax by a farmer or fisherman to be filed by January 15 of the succeeding taxable year. See amendment to Section 655(e) of Article 22. Applicable to taxable years ending after August 31, 1981. |