

Credit for Taxes Paid to a Province of Canada

Chapter 274 of the Laws of 1987 has amended Sections 620 and 620-A of the Tax Law to allow a New York State resident a credit against the state personal income tax for any income tax and/or separate tax on lump sum distributions imposed by and paid to a province of Canada. The new credit is applicable to taxable years beginning after 1987.

The amount of credit allowable for New York State purposes is determined using the rules and limitations applicable to the credit for taxes paid to other states. In addition, the following limitation applies: If a taxpayer elects to claim the foreign tax credit for federal tax purposes, a New York State credit will be allowed only for the portion of the provincial tax not claimed for federal tax purposes for the current taxable year or for a prior taxable year. If any portion of the provincial tax that entitled the taxpayer to a New York State credit is claimed as a foreign tax credit on the taxpayer's federal return in a succeeding tax year, the amount claimed must be added back to the taxpayer's New York State tax liability for that succeeding tax year.

Section 659 of the Tax Law was also amended to require a taxpayer to report to the New York State Tax Department, within 90 days after the date of final determination, a federal change or correction in the amount of foreign tax credit allowed if the change would affect the calculation of the New York State credit for Canadian provincial taxes.