



**Personal Income Tax Rate Increase Affects Partnerships and
New York S Corporations Making Estimated Tax Payments for Their
Individual Nonresident Partners and Shareholders**

Partnerships and New York S corporations must make estimated tax payments for their nonresident partners and shareholders unless the partner or shareholder meets specific exceptions or gives the partnership or New York S corporation an exemption form. *Estimated tax* for nonresident partners and shareholders means a partner's or shareholder's distributive share or pro rata share of the entity's income derived from New York sources for the year, less the partner's or shareholder's share of certain partnership related deductions allocated to New York State, and multiplied by the highest effective rate of personal income tax. Recent tax law changes have increased the highest effective rate of tax from 6.85% to 8.97% for tax year 2009. Accordingly, a partnership or New York S corporation that makes estimated tax payments on behalf of its individual nonresident partners or shareholders may need to increase the amount of estimated tax it pays.

For the partnership or New York S corporation to avoid the penalty for underpayment of estimated tax, the total amount of estimated tax paid on behalf of all its nonresident individual partners and corporate partners or shareholders must be:

- at least 90% of the estimated tax required to be paid for 2009; **or**
- 100% of the estimated tax required to be paid on behalf of its nonresident partners or shareholders for 2008 (110% of that amount if the entity is not primarily engaged in farming or fishing and the New York source income allocated to its nonresident individuals and C corporations is more than \$150,000).

Under the new law, in determining whether 100% (or 110%, if applicable) of the estimated tax required to be paid on behalf of its nonresident partners or shareholders for 2008 was paid, the nonresident individual partner's or shareholder's 2008 tax must be recomputed using the 2009 tax rates and rules.

There will be no penalty for any shortage in the nonresident individual partner's or shareholder's April 15, 2009, payment that is attributable to the rate change discussed in this notice, provided that the shortage is included in the June 15, 2009, payment. To determine the amount of estimated tax that must be paid on behalf of each individual nonresident partner or

shareholder by June 15, 2009, September 15, 2009, and January 15, 2010, use revised [Form IT-2658-I](#), *Instructions for Form IT-2658, Report of Estimated Tax for Nonresident Individual Partners and Shareholders*, available on our Web site (at www.nystax.gov).

NOTE: An Important Notice is generally issued to announce a singular event, such as an update to a previously issued tax form or instruction, or to announce a new due date for filing returns and making payments of tax because of a natural disaster. The Department does not revise previously issued N-Notices.