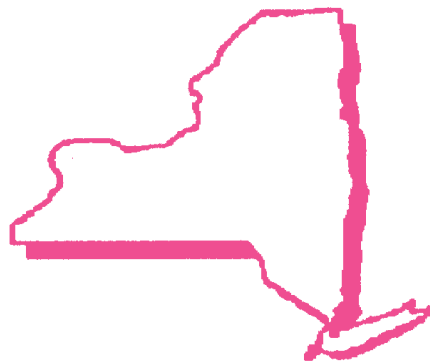


GENERAL INCOME TAX INFORMATION FOR NEW YORK STATE RESIDENTS

For tax year 2006



The information presented is current as of this publication's print date. Visit our Web site at www.nystax.gov for up-to-date information.

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General

If you were a full-year New York State resident and received income during the tax year or you would like to claim certain tax credits, you may be required to file a New York State resident income tax return using Form IT-150, *Resident Income Tax Return* (short form), or Form IT-201, *Resident Income Tax Return* (long form). Even if you are not considered a resident of New York State for other purposes, you may be required to file a New York State resident income tax return (see *Filing requirements for New York State residents* on page 7 of this publication). To determine whether or not you are considered a New York State resident for income tax purposes, you must consider where your domicile was, and where you maintained a permanent place of abode during the tax year.

You may also report the amount of New York State and local sales and use taxes that you owe, if any, on your personal income tax return. For information on filing and paying sales and use taxes on your personal income tax return, see pages 15 through 17 of this publication.

Definitions

The following definitions are applicable in determining whether or not you are a New York State resident for income tax purposes.

Domicile

Your *domicile* is the place you intend to have as your permanent home. Your domicile is, in effect, where your permanent home is located. It is the place you intend to return to after being away (as on vacation abroad, business assignments, educational leave, or military assignment).

You can have only one domicile. Your New York domicile does not change until you can demonstrate that you have abandoned your New York domicile and established a new domicile outside New York State.

A change of domicile must be *clear and convincing*. Easily controlled factors such as where you vote, where your driver's license and registration are issued, or where your will is located, are not the primary factors in establishing domicile. To determine whether you have, in fact, changed your domicile, you should compare:

- the size, value, and nature of use of your first residence to the size, value, and nature of use of your newly acquired residence;
- your employment and/or business connections in both locations;
- the amount of time spent in both locations;
- the physical location of items that have significant sentimental value to you in both locations; and
- your close family ties in both locations.

A change of domicile is *clear and convincing* only when your primary ties are clearly **greater** in the new location. When weighing your primary ties, keep in mind that some may weigh more heavily than others, depending on your overall lifestyle. If required by the Tax Department, it is the taxpayer's responsibility to produce documentation showing the necessary intention to effect a change of domicile.

If you move to a new location but intend to stay there only for a limited amount of time (no matter how long), for work, school, or any other purpose, your domicile does not change.

If your domicile is New York State and you go to a foreign country because of a business assignment by your employer, or for study, research, or any other purpose, your domicile does not change unless you show that you definitely do not intend to return to New York State.

Permanent place of abode

A *permanent place of abode* is a residence (a building or structure where a person can live) that you permanently maintain, whether you own it or not, and usually includes a residence your husband or wife owns or leases. A place of abode is not permanent if you maintain it only during a temporary or limited period of time for a particular purpose.

Resident

You are a New York State resident for income tax purposes if:

- Your domicile is not New York State but you maintain a permanent place of abode in New York State for more than 11 months and spend 184 days or more (a part of a day is a day for this purpose) in New York State during the tax year. However, if you are a member of the armed forces, and your domicile is not New York State, you are not a resident under this definition.

or

- Your domicile is New York State. However, even if your domicile is New York State, you are not a resident if you meet **all three** of the conditions in either Group A or Group B as follows:

Group A

- (1) You did not maintain any permanent place of abode in New York State during the tax year; and
- (2) you maintained a permanent place of abode outside New York State during the entire tax year; and
- (3) you spent *30 days or less* (a part of a day is a day for this purpose) in New York State during the tax year.

Group B

- (1) You were in a foreign country for at least 450 days during any period of 548 consecutive days; and
- (2) you spent *90 days or less* (a part of a day is a day for this purpose) in New York State during this 548-day period, and your spouse (unless legally separated) or minor children spent *90 days or less* in New York State during this 548-day period in a permanent place of abode maintained by you; and
- (3) during the nonresident portion of the tax year in which the 548-day period begins, and during the nonresident portion of the tax year in which the 548-day period ends, you were present in New York State for no more than the number of days which bears the same ratio to 90 as the number of days in such portion of the tax year bears to 548. The following formula illustrates this condition:

$$\frac{\text{Number of days in the nonresident portion}}{548} \times 90 = \text{Maximum days allowed in New York State}$$

Note: For purposes of determining your resident status for income tax purposes, your presence in New York does not count as a day or part of a day for purposes of determining your total days in New York, if any of the following apply:

- 1. You travel to New York for the sole purpose of boarding a plane, ship, train, or bus for a destination outside New York State.
- 2. You are continuing travel that began outside of New York State that takes you through the state by automobile, plane, ship, train, or bus, to a destination outside New York State.
- 3. You are seeking treatment for an illness at a New York medical facility or are confined to a New York nursing home facility.

If you were a New York State resident or nonresident for only part of the year, you are a New York State part-year resident.

You must file a New York State resident return if you meet any of the following conditions:

- You have to file a federal return.
- You did not have to file a federal return but:

Filing requirements for New York State residents

Your federal filing status would have been: **and you had federal adjusted gross income (plus New York additions*) of more than:**

single, and you can be claimed as a dependent on another taxpayer's federal return\$3,000

single, and you cannot be claimed as a dependent on another taxpayer's federal return **or** married filing joint return **or** married filing separate return **or** head of household **or** qualifying widow(er)\$4,000

* (New York additions are explained in the instructions for Forms IT-150 and IT-201, see the federal instructions to find your filing status and figure your federal adjusted gross income.)

- You want to claim a refund of any New York State, New York City or Yonkers income taxes withheld from your pay.
- You are subject to the minimum income tax.
- You are subject to the separate tax on lump-sum distributions.
- You want to claim any of the following New York State, New York City, or Yonkers credits:
 - Accumulation distribution credit;
 - Alternative fuels credit;
 - Automated external defibrillator credit;
 - Biofuel production credit;
 - Brownfield credits (brownfield redevelopment tax credit, remediated brownfield credit for real property taxes, and environmental remediation insurance credit);
 - Child and dependent care credit;

- Claim of right credit;
- Clean heating fuel credit;
- College tuition credit;
- Conservation easement tax credit;
- Credit for New York City unincorporated business tax;
- Empire State child credit;
- Empire State film production credit;
- Empire Zone (EZ) credits (EZ capital tax credit, EZ wage tax credit, EZ investment tax credit and EZ investment tax credit for the financial services industry, EZ employment incentive credit, and EZ employment incentive credit for the financial services industry);
- Employment of persons with disabilities credit;
- Employment incentive credit and employment incentive credit for the financial services industry;
- Farmers' school tax credit;
- Fuel cell electric generating equipment credit;
- Green building credit;
- Handicapped-accessible taxicabs and livery services vehicle credit;
- Historic barn rehabilitation credit;
- Home heating system credit;
- Industrial or manufacturing business credit;
- Investment tax credit and investment credit for the financial services industry;
- Long-term care insurance credit;
- Low-income housing credit;

- New York State earned income credit;
- Noncustodial parent New York State earned income credit;
- New York City earned income credit;
- New York State household credit;
- New York City household credit;
- New York City school tax credit;
- Nursing home assessment credit;
- Real property tax credit;
- Resident credit and resident credit against separate tax on lump-sum distributions;
- Solar energy system equipment credit;
- Special additional mortgage recording tax credit;
- Qualified empire zone enterprise (QEZE) credits (QEZE credit for real property taxes and QEZE tax reduction credit);
- Qualified emerging technology company (QETC) credits (QETC capital tax credit, QETC employment credit, and QETC facilities, operations, and training credit);
- Security officer training tax credit.

For more information on tax credits, see Publication 99-IND, *General Information on New York State and New York City Income Tax Credits for Individuals for Tax Year 2006*, or Publication 99-B, *General Information on New York State and New York City Income Tax Credits for Businesses for Tax Year 2006*.

**New York City
resident tax**

If you were a resident of New York City for the tax year and you have to file a New York State return, report your New York City income tax on your state return.

**Yonkers resident
income tax surcharge**

If you were a resident of Yonkers for the tax year and you have to file a New York State return, report your Yonkers resident income tax surcharge on your state return.

Yonkers nonresident earnings tax

If you were a New York State resident and were not a Yonkers resident, but earned wages or carried on a trade or business in Yonkers, you are subject to the Yonkers nonresident earnings tax. You must compute your Yonkers nonresident earnings tax on Form Y-203, *Yonkers Nonresident Earnings Tax Return*, and attach it to your Form IT-150 or IT-201. If you are married, you cannot file jointly on Form Y-203. If you and your spouse each have separate taxable Yonkers earnings, you must each complete a separate Form Y-203.

Part-year residents of New York City and Yonkers

If you changed your New York City or Yonkers resident status during the year, you must complete Form IT-360.1, *Change of City Resident Status*, and pay New York City resident tax or Yonkers resident income tax surcharge for the part of the year that you lived in New York City or Yonkers. If you are required to file Form IT-360.1, you must use Form IT-201.

Filing requirements for New York State part-year residents

If you were a New York State resident for only part of the year, you are a New York State part-year resident. Part-year residents must file Form IT-203, *Nonresident and Part-Year Resident Income Tax Return*. You are subject to New York State tax on income you received from New York State sources while you were a nonresident, and on all income you received while you were a New York State resident. For more information on New York State part-year residents, see Publication 88, *General Tax Information for New York State Nonresidents and Part-Year Residents*.

Which form to file

If you were a New York State resident for the tax year, you must use either New York State income tax return Form IT-150 or Form IT-201. A brief description of each form follows. For more information on who is required to file, see the *Who must file/which form to file?*, section in the instructions for these forms.

Form IT-150, Resident Income Tax Return (short form)

Short Form IT-150 allows taxpayers who file federal Form 1040A, *U.S. Individual Income Tax Return*, or Form 1040EZ, *Income Tax Return for Single and Joint Filers With No Dependents*, (and certain taxpayers who file federal Form 1040, *U.S. Individual Income Tax Return*) to file a simple two-page New York State return.

Taxpayers using Form IT-150 can take advantage of the most commonly claimed credits, if applicable, while avoiding the complexities of the long Form IT-201.

You may use Form IT-150 if:

- You were a New York State resident for the entire year.
- Your federal adjusted gross income for the year was \$900,000 or less.

- You filed federal Form 1040EZ or 1040A (or could have, except your federal taxable income was over \$100,000).
- You were **not** a part-year resident of New York City or Yonkers (however, you may report nonresident earnings tax for Yonkers on Form IT-150).

The following tax credits can be claimed using Form IT-150:

- New York State household credit,
- New York City household credit,
- Empire State child credit,
- New York State child and dependent care credit,
- New York State earned income credit,
- Noncustodial parent New York State earned income credit,
- New York City earned income credit,
- Real property tax credit,
- College tuition credit, and
- New York City school tax credit.

**Form IT-201, *Resident
Income Tax Return*
(long form)**

If you are a full-year New York State resident and you do not qualify to file Form IT-150, you must file Form IT-201.

The following tax credits can be claimed directly on Form IT-201:

- New York State household credit,
- New York City household credit,
- Empire State child credit,
- New York State child and dependent care credit,
- New York State earned income credit,
- Noncustodial parent New York State earned income credit,
- New York City earned income credit,

- Real property tax credit,
- College tuition credit,
- New York City school tax credit, and
- Resident credit.

If you are claiming any credits other than those listed above, or you are subject to other New York State or New York City taxes, you must complete Form IT-201-ATT, *Other Tax Credits and Taxes*, and attach it to your Form IT-201.

Filing status

One of the most important items on your New York State income tax return is your **filing status**. This classification helps determine whether you have to file a return, and, if you claim the New York standard deduction, determines which standard deduction amount you use. Your filing status also helps determine your tax. In nearly all cases, you must use the same filing status that you used on your federal return. For information on the federal filing status that applies to you, access the Internal Revenue Service (IRS) Web site (www.irs.gov) or call 1 800 829-1040.

If you did not have to file a federal return, use the filing status you would have used for federal income tax purposes. For New York State purposes, the only exceptions to this rule apply to married individuals who file a joint federal return **and**:

- (1) One spouse is a New York State resident and the other is a nonresident or part-year resident. In this case, you must either: (a) file separate New York returns using filing status *Married filing separately*; or (b) file jointly, as if you both were New York State residents, using filing status *Married filing jointly*.
- (2) You are unable to file a joint New York return because the address or whereabouts of your spouse is unknown, you can demonstrate that reasonable efforts have been made to locate your spouse, and good cause exists for the failure to file a joint New York return. In this case, you may file a separate New York return using filing status *Married filing separately*.
- (3) Your spouse refuses to sign a joint New York return; reasonable efforts have been made to have your spouse sign a joint return; there exists objective evidence of alienation from your spouse such as judicial order of protection, legal separation under a decree of divorce or separate maintenance, or living apart for the twelve months immediately preceding application to file a separate return or commencement of an action for divorce or commencement of

certain family court proceedings; and good cause exists for the failure to file a joint New York return. In this case, you may file a separate New York return using filing status *Married filing separately*.

If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see *Innocent spouse relief* on page 22.

Itemized deductions or standard deduction

You may pay less tax if you can itemize your deductions, because, unlike the standard deduction, your itemized deduction is not limited to any specific dollar amount. However, you can itemize your deductions only if you itemized deductions on your federal Form 1040. If you itemize for New York State, you **cannot** file Form IT-150; you **must** file Form IT-201.

The standard deduction is a fixed amount, based on your filing status, that reduces your New York adjusted gross income. If you do not itemize your deductions, you can take the standard deduction on either Form IT-150 or IT-201. The New York standard deduction for tax year 2006 is:

- Single and can be claimed as a dependent\$ 3,000
- Single and cannot be claimed as a dependent\$ 7,500
- Married filing joint return\$ 15,000
- Married filing separate return\$ 7,500
- Head of household\$ 10,500
- Qualified widow(er)\$ 15,000

If you are like many other New Yorkers, your standard deduction may be larger than your itemized deduction. So, even though you itemized on federal Form 1040, it is possible that your tax will be less if you claim the standard deduction on your New York State return. See the instructions for Form IT-201 to determine which deduction to claim.

Estimated income tax requirements

New York State Tax Law requires you to pay income tax during the year, either through withholding or estimated tax. If you are self-employed, if you receive a taxable pension or annuity, or if you receive any other income from which taxes are not withheld, you may have to pay estimated tax.

Generally, you must pay estimated income tax if you expect to owe, after subtracting your tax withheld and credits, at least \$300 of either New York State, New York City, or Yonkers income tax, and you expect your withholding and credits to be less than the smaller of:

- 90% of your income tax liability for this year; or
- 100% of your income tax liability from the previous year (110% of that amount if you are not a farmer or fisherman and the New York adjusted gross income on that return is more than \$150,000 or, if married filing separately, more than \$75,000), based upon a return covering 12 months.

For more information see Form IT-2105, *Estimated Income Tax Payment Voucher for Individuals*, and Form IT-2105-I, *Instructions for Form IT-2105*, or see Publication 94, *New York State Tax Information - Should You Be Paying Estimated Tax in 2007?*

Note: You can now make estimated tax payments, check your balance, and reconcile your estimated income tax account by accessing the *Online Tax Center* on the Tax Department Web site (www.nystax.gov).

Residents working outside New York State

If you are a resident of New York State, all of your income, regardless of where it is earned, is taxable to New York State. If you have income from which no taxes are withheld during the year, you may be required to pay estimated tax. For example, if you are employed outside of New York State, your employer may not withhold New York State tax (or New York City or Yonkers tax) from your wages. For additional information, see Publication 94, *New York State Tax Information-Should You Be Paying Estimated Tax in 2007?*

If any part of your income is taxed by another state, a local government within another state, the District of Columbia, or a Canadian province, you may claim a credit against your New York State tax. The credit is allowable only for the part of the tax that applies to income received in the other taxing authority while you were a New York State resident. To claim this credit, you must complete Form IT-112-R, *New York State Resident Credit*, and, if applicable, Form IT-112-C, *New York State Resident Credit for Taxes Paid to a Province of Canada*, and attach either, or both, forms to your Form IT-201. For additional information regarding this credit, see the instructions for Form IT-112-R and Form IT-112-C.

Sales or use tax

You must report any unpaid sales or use tax owed for 2006 on your personal income tax return for 2006. However, if you are registered, or required to be registered, for sales tax purposes, all sales and use taxes owed with respect to business purchases must be reported and paid with the appropriate sales tax return(s).

If you are not filing an income tax return but owe sales or use tax for 2006, you must pay any unpaid sales or use tax by filing Form ST-140, *Individual Purchaser's Annual Report of Sales and Use Tax*, by April 16, 2007 (April 17, 2007, if you file your federal return at the IRS Service Center in Andover, MA).

For additional information, see the instructions for Form IT-150 or Form IT-201 and Publication 774, *Purchaser's Obligations to Pay Sales and Use Taxes Directly to the Tax Department*.

When do you owe sales or use tax?

When you make a purchase of taxable property or services from a seller (vendor) located in New York State and take delivery in New York State, the vendor should collect state and local sales or use tax and forward it to the Tax Department. However, you are responsible for paying the tax directly to the Tax Department with your income tax return under the following three circumstances.

1. **Deliveries into New York State** — You owe state or local sales or use tax if you purchase property or a service which is delivered to you in New York State without payment of New York State and local tax to the seller, such as through the Internet, by catalog, from television shopping channels, or on an Indian reservation.
2. **Purchases outside New York State with subsequent use in New York State** — You may also owe state and local sales or use tax if you are a *resident* of New York State (see, *Who is a New York State resident for sales and use tax purposes?*, on page 17 of this publication) at the time you purchase any of the following *outside* the State:
 - property you bring into New York State for use in New York State;
 - a service performed on property outside New York State and you bring that property into New York State for use here; or
 - a service (such as an information service) you bring into New York State for use here.

However, you are not required to pay state or local sales or use tax on any property or service that you bring into New York State which you purchased outside of the State before you became a resident of New York State.

3. **Additional local tax** — You may owe an additional **local** tax if you are a resident of a locality (county or city) at the time of purchase and you:

- bring property into that locality which you purchased in another locality in New York State that has a lower tax rate;
- bring property into that locality on which you had a taxable service performed in another locality in New York State that has a lower tax rate; or
- bring a service (such as an information service) into that locality which you purchased in another locality in New York State that has a lower tax rate.

However, you are not required to pay any additional local tax on any property or service that you bring into a locality in New York State that you purchased outside that locality before you became a resident of that locality.

Note: You may be eligible for a credit for sales or use tax paid to another state or to another locality in New York State. For more information, see Publication 39, *A Guide to New York State Reciprocal Credits for Sales Tax Paid to Other States*.

**Who is a
New York State
resident for sales and
use tax purposes?**

For sales and use tax purposes, the definition of *resident* includes persons who may not be considered residents for personal income tax purposes. For example, persons maintaining a permanent place of abode in New York who do not spend more than 183 days a year in the state, college students, and military personnel may all be residents for sales and use tax purposes even if they are not residents for income tax purposes. For sales and use tax purposes, an individual is a resident of the state and of any locality in which he or she maintains a permanent place of abode.

For sales and use tax purposes, a *permanent place of abode* is a dwelling place maintained by a person, or by another for that person to use, whether or not owned by such person, on other than a temporary or transient basis. The dwelling may be a home, apartment or flat; a room including a room at a hotel, motel, boarding house or club; a room at a residence hall operated by an educational, charitable or other institution; housing provided by the armed forces of the United States, whether the housing is located on or off a military base or reservation; or a trailer, mobile home, houseboat or any other premises. This includes second homes. Therefore, you can be a resident of more than one locality and state for sales and use tax purposes.

An individual doing business in New York State is a resident for sales and use tax purposes of the state and of any county or city in which the individual is doing business, with respect to purchases of taxable property or services used in the business. Therefore, if an individual is engaged in business in New York State but has no permanent place of abode in New York State, the individual will owe use tax only on taxable purchases made with respect to the business operated in New York.

When to file

You should file your return as soon as you can after January 1, 2007, but not after April 16, 2007 (April 17, 2007, if you file your federal return at the IRS Service Center in Andover, MA). If you file late, you may have to pay interest (see page 22 of this publication) and penalties (see page 24 of this publication). If you file for a fiscal year, your return is due by the 15th day of the fourth month following the end of your fiscal year.

Extension of time to file

If you cannot meet the filing deadline, file Form IT-370, *Application for Automatic Six-Month Extension of Time to File for Individuals*, on or before the due date of your return, along with full payment of any tax due (if applicable), to get an automatic extension of time to file Form IT-150 or Form IT-201. Form IT-370 automatically extends the due date of your return for six months. If you file Form IT-370 on or before April 16, 2007 (April 17, 2007, if you file your federal return at the IRS Service Center in Andover, MA), the due date of your return will be extended to October 15, 2007.

An extension of time to file does not extend your time to pay; full payment must be made of any balance due with this automatic extension of time to file. You may pay by check, money order, electronic funds withdrawal, or credit card. If you want to make your payment by electronic funds withdrawal, which transfers funds directly from your bank account, you must use the Tax Department's Web application or e-file your extension request.

You must estimate your New York State, New York City, and Yonkers income taxes due, but be as exact as you can with the information you have. If we later determine that your estimate was not reasonable, the extension will not be allowed, and you may be subject to penalty and interest. In addition, you must also pay any sales or use tax due with your extension request.

If you expect to receive a refund or anticipate having no amount of New York State, New York City or Yonkers income tax, or no sales or use tax remaining unpaid as of the due date of the return, you can file a copy of federal Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, instead of Form IT-370. When you file your New York State return, you must attach another copy of the federal extension to it.

To file your extension electronically and learn about our payment options, access the *Online Tax Center* on the Tax Department Web site (www.nystax.gov).

Automatic two-month extension

If you qualify for an automatic two-month extension of time to file your federal income tax return because (1) you are a U. S. citizen or a U. S. resident living and working abroad, or (2) you are in military service

outside the U. S. and Puerto Rico when your 2006 return is due, you are entitled to a similar two-month extension to file your state return. The time to pay your New York State, New York City, and Yonkers income tax and any state or local sales or use tax is similarly automatically extended. You must attach to your New York State return a statement showing that you qualify for the federal automatic two-month extension.

If you are serving or did serve in a combat zone or certain other designated areas, you may qualify for additional extensions of time to file your return. For more information on extensions of time to file and other tax relief for military personnel, see Publication 361, *New York State Income Tax Information for Military Personnel and Veterans*.

If you cannot file on or before the end of this automatic two-month extension, file Form IT-370 and pay any tax due with it to receive an additional four months to file.

Electronic tax filing (*e-filing*)

You can file your income tax return electronically (*e-file*) using your personal computer and one of the many commercially available software packages, or you can choose to have a tax professional *e-file* for you.

E-filing is the fastest way to receive your refund. The speed and accuracy of computers allow electronic returns to be processed faster than paper returns, and using tax preparation software greatly reduces the possibility of errors and delays. To receive your refund even faster, you may choose to have it deposited directly into your savings or checking account (see *Direct deposit of refunds* on page 20 of this publication).

E-file is faster and more accurate than paper filing, and, if you qualify, it may be free. Several tax preparers and tax preparation software providers offer free or discounted *e-filing*. You may also be able to file your return yourself using the internet.

You may pay a balance due on an *e-filed* return by submitting a check or money order with Form IT-201-V, *Payment Voucher for E-Filed Income Tax Returns*, by using your credit card, or by authorizing the Tax Department to withdraw the payment from your bank account (electronic funds withdrawal). Authorization and account information for electronic funds withdrawal must be included with your electronic return and cannot be changed once it is transmitted. To avoid interest and penalties, your check or money order must be mailed, credit card payment authorized, or electronic funds withdrawal made, by the filing due date.

For more information and a complete list of forms that can be *e-filed*, visit our *e-file* Web site at: www.nystax.gov/elf

Electronic signatures

If you *e-file* your 2006 New York State personal income tax return, you **must** sign your return using a self-selected personal identification number

(PIN). You may select the same PIN that you use to sign your federal return, or you may select a different PIN for New York State. If you are married filing a joint return, you and your spouse will each need a PIN to enter as your electronic signatures. Your software package or tax professional will guide you through this process.

Payment options

If you have a balance due on your return, you may pay by check or money order. You may also pay a balance due by using your credit card or by electronic funds withdrawal.

Paying by credit card

You can use your American Express Card, Discover/Novus, VISA, or MasterCard to pay the amount you owe on your 2006 New York State personal income tax return, or to make tax year 2007 quarterly estimated income tax payments.

For more information on the credit card program, access the *Online Tax Center* on the Tax Department Web site (www.nystax.gov).

Electronic funds withdrawal

If you file Form IT-150 or Form IT-201 and you have a balance due, you can authorize payment by electronic funds withdrawal from your designated bank account. By choosing this option, you authorize the New York State Tax Department to transfer money from your account to the State's account.

Authorization and account information for electronic funds withdrawal must be included with your return and cannot be changed once your return is mailed or transmitted (*e-file*). You must specify a payment date up to and including April 17, 2007. If you file before April 17, money will not be withdrawn from your account before the date you specify. To avoid interest and penalties, you must authorize a withdrawal on or before the filing due date. If you designate a weekend or a bank holiday, the payment will be withdrawn the next business day.

For more information, see the instructions for the form or tax preparation software you are using, or access the *Online Tax Center* on the Tax Department Web site (www.nystax.gov).

Overpayments, refunds, and collection of debts

Direct deposit of refunds

You have the option to have your income tax refund deposited directly into your bank account. Payment by this method is more secure since there is no check to get lost or stolen. With direct deposit, you would receive your refund a day or two faster than if it were sent by mail. Direct deposit is more convenient since you eliminate the need to go to the bank to make a deposit. For more information, see the instructions for the form or tax preparation software you are using.

Refund by mail

If you compute an overpayment on your income tax return, you may choose to have the overpayment refunded by check via US mail. The Tax Department will mail your refund check to the **mailing address** listed on the front of your income tax return. If you are using a name-and-address label, check the label for accuracy. If any information is wrong, cross it out and make the corrections directly on the label.

Estimated tax for 2007

You have the option of applying all or a portion of your overpayment to your 2007 estimated income tax account by completing the appropriate line(s) on your income tax return. If you choose to apply all or a portion of your overpayment to your 2007 estimated income tax, you generally cannot change that decision after April 16, 2007 (April 17, 2007, if you file your federal return at the IRS Service Center in Andover, MA).

Collection of debts from your refund

We will keep all or part of your overpayment (refund) if you owe a New York State tax liability or a New York City or Yonkers personal income tax liability; if you owe past-due support or a past-due legally enforceable debt to the Internal Revenue Service (IRS) or a New York State agency, or to another state; if you defaulted on a guaranteed student, state university, or city university loan; or if you owe a New York City tax warrant judgment debt. We will refund any amount that exceeds your debt.

A *New York State agency* includes any state department, board, bureau, division, commission, committee, public authority, public benefit corporation, council, office, or other entity performing a governmental or proprietary function for the state or a social services district.

If you have any questions about whether you owe a past-due legally enforceable debt to the IRS, to another state, or to a New York State agency, contact the IRS, the other state, or the New York State agency.

For New York State tax liabilities or New York City or Yonkers personal income tax liabilities, call 1-800-835-3554 (from areas outside the U.S. and outside Canada call (518) 485-6800) or write to: NYS Tax Department, Tax Compliance Division, W A Harriman Campus, Albany, NY 12227.

For information relating to a New York City tax warrant judgment debt, call (212) 232-3550.

Disclaiming of spouse's debt

If you are filing a joint return and you do not want to apply your part of the overpayment to your spouse's non-IRS debt because you are not liable for it, complete Form IT-280, *Nonobligated Spouse Allocation*, and attach it to your original return. You cannot file an amended return to disclaim your spouse's non-IRS debt after you have filed your original return.

We will notify you if we keep your overpayment because of a past-due legally enforceable debt to the IRS. If your spouse owes the debt and you do not want your part of the overpayment to be used to pay the debt, you cannot use Form IT-280 to disclaim your spouse's debt. Instead, you will need to file federal Form 8379, *Injured Spouse Allocation*, with the IRS.

Innocent spouse relief

You may qualify for relief from full or partial tax liability on a joint return as an innocent spouse if:

- (1) there is an understatement of tax on a joint return because of an omission or error involving your income, deduction, credit, or basis;
- (2) you can show that when you signed the return you did not know and had no reason to know of the understatement; and
- (3) taking into account all the facts and circumstances it would be unfair to hold you liable for the understated tax.

See Form IT-285, *Request for Innocent Spouse Relief (and Separation of Liability and Equitable Relief)*, and Publication 89, *Innocent Spouse Relief (And Separation of Liability and Equitable Relief)*, for more information.

Form IT-285 is used only for innocent spouse relief under the three circumstances stated above. If you want to disclaim your spouse's defaulted guaranteed student, state university, or city university loan, or past-due support, or past-due legally enforceable debt owed to a New York State agency because you do not want to apply your part of a joint refund or refundable credit to a debt owed solely by your spouse, use Form IT-280, *Nonobligated Spouse Allocation* (see *Disclaiming of spouse's debt* on page 21 of this publication).

Adjustments for errors

If you make certain errors on your income tax return, the Tax Department will adjust your return during processing. As a result, you may owe additional tax (plus penalty and interest if applicable) or you may receive a smaller refund than you expected. For more information, see Publication 46, *Common Reasons for Income Tax Adjustments*.

Interest charges

Interest will be charged on income tax that is not paid on or before the due date of your return, even if you received an extension of time to file your return. Interest is a charge for the use of money, and in most cases may not be waived. Interest is compounded daily and the rate is adjusted quarterly.

If you are due a refund, you may also be entitled to receive interest on your overpayment. Interest is compounded daily and the rate is adjusted quarterly. If the refund is made within 45 days after the due date of your return, no interest will be paid. If you file your return after the due date (including extensions), no interest will be paid if the refund is made within 45 days after the date you filed. If the refund is not made within this 45-day

period, interest will be paid from the due date of your return or from the date you filed, whichever is later. However, interest will not be paid to you on the portion of your refund that is attributable to the real property tax credit, New York State earned income credit, child or dependent care credit, college tuition credit, farmers' school tax credit, New York City school tax credit, the New York City earned income credit, or certain other refundable credits, or if your return cannot be processed.

To be processed, your return must show your name, address, social security number, signature, and the information needed to mathematically verify your tax liability.

Privacy and confidentiality

The Tax Law contains strict secrecy requirements to protect the confidentiality of tax returns and tax return information. Consequently, you must give specific written authorization to a practitioner, paid preparer or other representative before they will be given access to your confidential records or be allowed to represent you before the Tax Department.

Third-party designee

If you want to authorize a friend, family member, or any other person (third-party designee) you choose to discuss your 2006 tax return with the New York State Tax Department, check the **Yes** box in the *Third-party designee* area of your income tax return and enter the information requested.

If you mark the **Yes** box, you (and your spouse, if filing a joint return) are authorizing the Tax Department to discuss with your designee any questions that arise during the processing of your return. You are also authorizing the designee to:

- give the Tax Department any information that is missing from your return;
- call the Tax Department for information about the processing of your return or the status of your refund or payment(s); and
- respond to certain Tax Department notices that you share with the designee about math errors, offsets, and return preparation. The Tax Department will **not** send notices to the designee.

You are not authorizing the designee to receive any refund check, bind you to anything (including additional tax liability), or otherwise represent you before the Tax Department. If you want the designee to perform those services for you, you must file Form POA-1, *Power of Attorney*.

Power of attorney

A power of attorney is evidence that a practitioner or other person may act on your behalf. The power of attorney must contain explicit authorization for your representative to act for you, and must be properly completed and signed.

The Tax Department prefers that practitioners use Form POA-1, *Power of Attorney* (and Form ET-14, *Estate Tax Power of Attorney*, for estate tax), but will accept other forms if they contain all the necessary elements. Form POA-1 may be used for New York State tax matters, New York City tax matters, or both.

Penalties

Late filing penalty

If you file late, you will be charged a penalty of 5% of the income tax due for each month, or part of a month, the return is late (maximum 25%), unless you have a valid extension of time to file or you attach to your return an explanation showing reasonable cause for the delay. If your return is more than 60 days late, this penalty will not be less than \$100, or 100% of the amount required to be shown as income tax due on the return, whichever is less, reduced by any tax paid and by any credit that you may claim.

Late payment penalty

If you do not pay your income tax when due, you will be charged a penalty of ½ of 1% of the unpaid amount for each month or part of a month it is not paid (maximum 25%). This penalty is in addition to the interest charged for late payments. This penalty may be waived if you attach to your return an explanation showing reasonable cause for paying late.

Tax figured incorrectly

You may have to pay a penalty if the income tax you report on your return is less than your correct income tax. If you are off by more than 10% or \$2,000, whichever is more, you may have to pay this penalty. The penalty is 10% of the difference between the income tax you reported and the income tax you actually owe.

Underwithholding and underpayment of estimated income tax

If your 2006 withholding and estimated income tax payments do not equal:

- at least 90% of your 2006 income tax; or
- 100% of your 2005 income tax (110% of that amount if you are not a farmer or fisherman and the New York adjusted gross income on that return is more than \$150,000 or, if married filing separately, more than \$75,000), based upon a return covering 12 months,

you may be subject to a penalty for underpayment of estimated income tax. However, you will only be charged the penalty if you owe at least \$300 of New York State or New York City or Yonkers income tax after deducting tax withheld and credits you are entitled to claim. For more information see Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals and Fiduciaries*, and its instructions (Form IT-2105.9-I).

Negligence penalty

If your return does not show all of the income tax imposed under the Tax Law, its rules or regulations, due to negligence or intentional disregard but

not with intent to defraud, you may be charged a penalty of 5% of any deficient amount.

In general, a deficiency is the difference between the correct income tax and the income tax shown on your return. In addition, 50% of the interest due on any underpayment resulting from negligence will be added to your tax.

Fraudulent returns

If any part of a deficiency is due to fraud, you may be charged a penalty of 50% of the deficiency. In general, a deficiency is the difference between the correct income tax and the income tax shown on your return. In addition, 50% of the interest due on any deficiency resulting from a fraudulent act will be added to your tax.

Frivolous returns

A penalty of up to \$500 will be imposed on any person who files a frivolous tax return. A return is considered frivolous when it does not contain information needed to judge the correctness of the tax return, or reports information that is obviously and substantially incorrect, and is intended to delay or impede the administration of the personal income tax.

New York State tax forms and publications

New York State forms and publications can be accessed on the Tax Department Web site (www.nystax.gov). In addition, the Tax Department provides an automated forms ordering system. If you have access to a fax machine, you may order many forms and other documents from a touch-tone telephone, 24 hours a day, 7 days a week by calling toll free 1 800 748-3676. You may also request most of these documents listed below by calling toll free 1 800 462-8100. From areas outside the U.S. and outside Canada, call (518) 485-6800.

New York State tax forms

The following is a list of New York State tax forms referred to in this publication:

- Form IT-150, *Resident Income Tax Return* (short form)
- Form IT-201, *Resident Income Tax Return* (long form)
- Form IT-201-ATT, *Other Tax Credits and Taxes*
- Form IT-203, *Nonresident and Part-Year Resident Income Tax Return*
- Form Y-203, *Yonkers Nonresident Earnings Tax Return*
- Form IT-360.1, *Change of City Resident Status*
- Form IT-112-R, *New York State Resident Credit*
- Form IT-112-C, *New York State Resident Credit for Taxes Paid to a Province of Canada*

- Form IT-370, *Application for Automatic Six-Month Extension of Time to File for Individuals*
- Form IT-2105, *Estimated Income Tax Payment Voucher for Individuals*
- Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals and Fiduciaries*
- Form ST-140, *Individual Purchaser's Annual Report of Sales and Use Tax*
- Form IT-280, *Nonobligated Spouse Allocation*
- Form IT-285, *Request for Innocent Spouse Relief (and Separation of Liability and Equitable Relief)*

New York State tax publications

The following is a list of New York State tax publications referred to in this publication:

- Publication 22, *FAQs: General Information on New York State's Real Property Tax Credit for Homeowners and Renters*
- Publication 46, *Common Reasons for Income Tax Adjustments*
- Publication 88, *General Tax Information for New York State Nonresidents and Part-Year Residents – For tax year 2006*
- Publication 94, *New York State Tax Information – Should You Be Paying Estimated Tax in 2007?*
- Publication 99-B, *General Information on New York State and New York City Income Tax Credits for Businesses*
- Publication 99-IND, *General Information on New York State and New York City Income Tax Credits for Individuals*
- Publication 361, *New York State Income Tax Information for Military Personnel and Veterans*
- Publication 39, *A Guide to New York State Reciprocal Credits for Sales Tax Paid to Other States*
- Publication 774, *Purchaser's Obligations to Pay Sales and Use Taxes Directly to the Tax Department*

Electronic Services

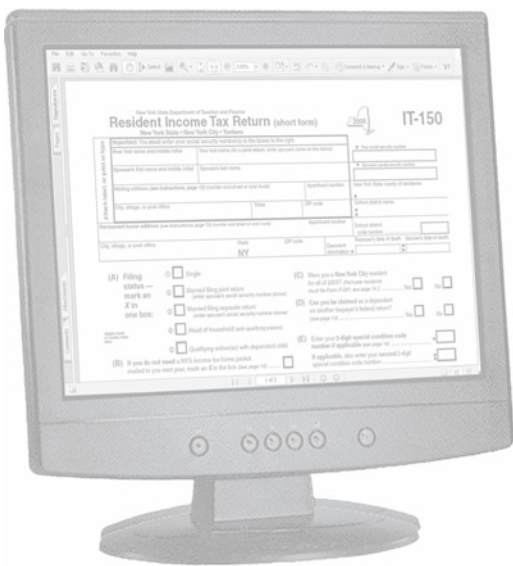
The NYS Department of Taxation and Finance is continuing its efforts to provide our customers – the citizens and businesses of this state – with world-class service. We are using the latest technology to develop innovative ways to better serve you. Many of these initiatives are available on the Department's Web site at

www.nystax.gov



Services currently available include . . .

- Visit our Taxpayer Answer Center to find answers to frequently asked tax questions.
- Determine if you are eligible for free e-filing with FreeFile.
- Learn how to e-file, the fastest and most accurate way to file your return.
- Apply for an automatic six-month extension of time to file your return.
- Make estimated tax payments, check your balance, and reconcile your estimated tax account balance.



- Check the status of your current year income tax refund.
- Pay your income taxes by credit card and electronic funds withdrawal.
- Use the penalty and interest calculator.
- View and pay open assessments.
- Check out our available online services for businesses.
- Sign up for our free e-mail Subscription Service to receive notification of Tax Department updates and technical guidance.

www.nystax.gov

Need help?



Internet access: www.nystax.gov

Access our Answer Center for answers to frequently asked questions; check your refund status; check your estimated tax account; download forms, publications; get tax updates and other information.



Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week.

1 800 748-3676



Telephone assistance is available from 8:00 A.M. to 5:00 P.M. (eastern time), Monday through Friday.

Refund status: 1 800 443-3200

(Automated service for refund status is available 24 hours a day, 7 days a week.)

To order forms and publications: 1 800 462-8100

Personal Income Tax Information Center: 1 800 225-5829

From areas outside the U.S. and outside Canada: (518) 485-6800



Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.



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, please call 1 800 225-5829.