



# TAXATION IN NEW YORK

# General Business Franchise Corporation Tax

All New York C corporations subject to tax under Tax Law **Article 9-A** generally must file Form CT-3, General Business Corporation Franchise Tax Return and compute three distinct taxes and higher of these three tax is paid. The three taxes include a tax on **business income or a tax on business capital or a fixed dollar minimum tax based on New York receipts.**

**Article 9-A is a section of the New York State Tax Law that imposes a franchise tax on general business corporations.**



A business corporation subject to tax under **Article 9-A** includes all corporations **except:**

- Insurance corporations
- Transportation and transmission corporations
- Farmers, fruit growers, and similar agricultural cooperatives with, or without, capital stock
- Nonstock, not-for-profit corporations, as long as no part of the net earnings benefits any officer, director, or member.

The **Form CT-3** returns must be filed within **3½ months** after the end of the reporting period. In case, the calendar year is followed for reporting the due date falls **on or before April 15.**

For S-Corps, **Form CT-3-S** returns must be filed within 2½ months after the end of the reporting period.

# A) Tax on Business Income

The business income base equals federal taxable income, modified for items of income and deduction that New York treats differently, minus investment income and other exempt income, that is apportioned to New York State.

*The current tax rates for business income are as follows:*

Taxpayer	Tax Rates
Qualified emerging technology companies	0.04875
General business taxpayers with a business income base of more than \$5,000,000	0.0725
All other general business taxpayers	0.065

*Qualified New York manufacturers benefit from a **zero percent rate** on their business income base.*



## B) Tax on Business Capital

The business capital base is the total business capital apportioned to New York State after deducting short-term and long-term liabilities attributable to assets.

The General Business Corporation Franchise Tax on Capital can be computed based on the below rates:



Taxpayer	Tax Rates
Qualified New York manufacturers, qualified emerging technology companies, cooperative housing corporations, and small business taxpayers	0.00
All other general business taxpayers	0.001875

## C) Fixed dollar minimum tax

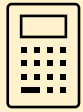


For a corporation with New York state receipts of:	General	QNYM <sup>1</sup> & QETC <sup>2</sup>
Not more than \$100,000:	\$ 25	\$19
More than \$100,000 but not over \$250,000	\$ 75	\$56
More than \$250,000 but not over \$500,000	\$ 175	\$131
More than \$500,000 but not over \$1,000,000	\$ 500	\$375
More than \$1,000,000 but not over \$5,000,000	\$ 1,500	\$1,125
More than \$5,000,000 but not over \$25,000,000	\$ 3,500	\$2,625
More than \$25,000,000 but not over \$50,000,000	\$ 5,000	\$3,750
More than \$50,000,000 but not over \$100,000,000	\$ 10,000	
More than \$100,000,000 but not over \$250,000,000	\$ 20,000	
More than \$250,000,000 but not over \$500,000,000	\$ 50,000	
More than \$500,000,000 but not over \$1,000,000,000	\$ 100,000	
Over \$1,000,000,000	\$ 200,000	

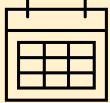
<sup>1</sup> QNYM - Qualified New York manufacturers.

<sup>2</sup> QETC – Qualified Emerging Technology Companies.

# Estimated tax Payment



Form CT-300, Mandatory First Installment (MFI) of Estimated Tax for Corporations, must be filed to pay the mandatory first installment if the corporation's second preceding year's franchise tax after credits exceeds \$1,000. The due date for the estimated tax payments falls on the 15th day of the 3rd, 6th, 9th and 12th months of the tax year.



If the second preceding year's franchise, excise, or gross receipts tax after credits exceeds \$1,000, but does not exceed \$100,000, the corporation must pay 25% of that tax. If the second preceding year's tax after credits exceeds \$100,000, the corporation must pay 40% of that tax.



The "second preceding tax year" is the corporate taxpayer's tax year occurring two taxable years prior to the tax year for which the MFI payment is due. A corporate taxpayer that was not required to file a return for the second preceding tax year does not have to make an MFI payment instead the remaining installments of estimated franchise tax should be filed using Form CT-400, Estimated Tax for Corporations.

# Partnership & LLC Tax (1/2)

For New York State income tax purposes, a *partnership* is a syndicate, group, pool, joint venture, or other unincorporated organization that is carrying on a trade or business and is classified as a partnership for federal income tax purposes.

A limited liability partnership (LLP) or a limited liability company (LLC) that is treated as a partnership for federal income tax purposes is also a partnership for New York State income tax purposes.

- The partnership does not pay income tax directly on its income. The partnership's income is passed through to its partners and is included as income on each partner's income tax or franchise tax return.
- Partnership must file Form IT-204, Partnership Return, if it has either (1) at least one partner who is an individual, estate, or trust that is a resident of New York State, or (2) any income, gain, loss, or deduction from New York sources
- Partnership may be required to pay an annual filing fee.
- Partnership may be required to pay estimated income tax on behalf of certain partners.



# Partnership & LLC Tax (2/2)

Form	Due date
Form IT-204, Partnership Return, and any attachments to Form IT-204	<ul style="list-style-type: none"><li>• Returns for calendar year filers are due March 15.</li><li>• Fiscal-year returns are due the 15th day of the third month after the end of the tax year.</li><li>• If a partnership is terminated and completely liquidated during its normal tax year, resulting in an accounting period of less than 12 months for federal income tax purposes, the return is due the 15th day of the third month after the end of the accounting period.</li></ul>
Form IT-204-LL, Partnership, Limited Liability Company, and Limited Liability Partnership Filing Fee Payment Form	<p>The annual filing fee is due:</p> <ul style="list-style-type: none"><li>• March 15 for calendar year filers.</li><li>• The 15th day of the third month after the end of the tax year for fiscal year filers.</li></ul> <p>Note: There is no extension of time to file Form IT-204-LL or pay the fee.</p>

**Note** - If you can't file your partnership return by the due date, you can apply for an automatic six-month extension of time to file.





# Penalty and Interest

## Penalty for late filing

If a corporation files a late return, then the department will charge a penalty unless the corporation has a valid extension of time to file.

- 5% of the tax due for each month (or part of a month) the return is late, up to a maximum of 25%
- If the return is more than 60 days late, then the minimum penalty is the lesser of \$100 or the total amount due on the return

## Penalty for late payment

If a corporation do not pay the tax when due, the department charge the corporation with a penalty in addition to interest. The penalty may be waived if they show a reasonable cause for paying late.

- 0.5% of the unpaid amount for each month (or part of a month) it is not paid, up to a maximum of 25%

## Interest

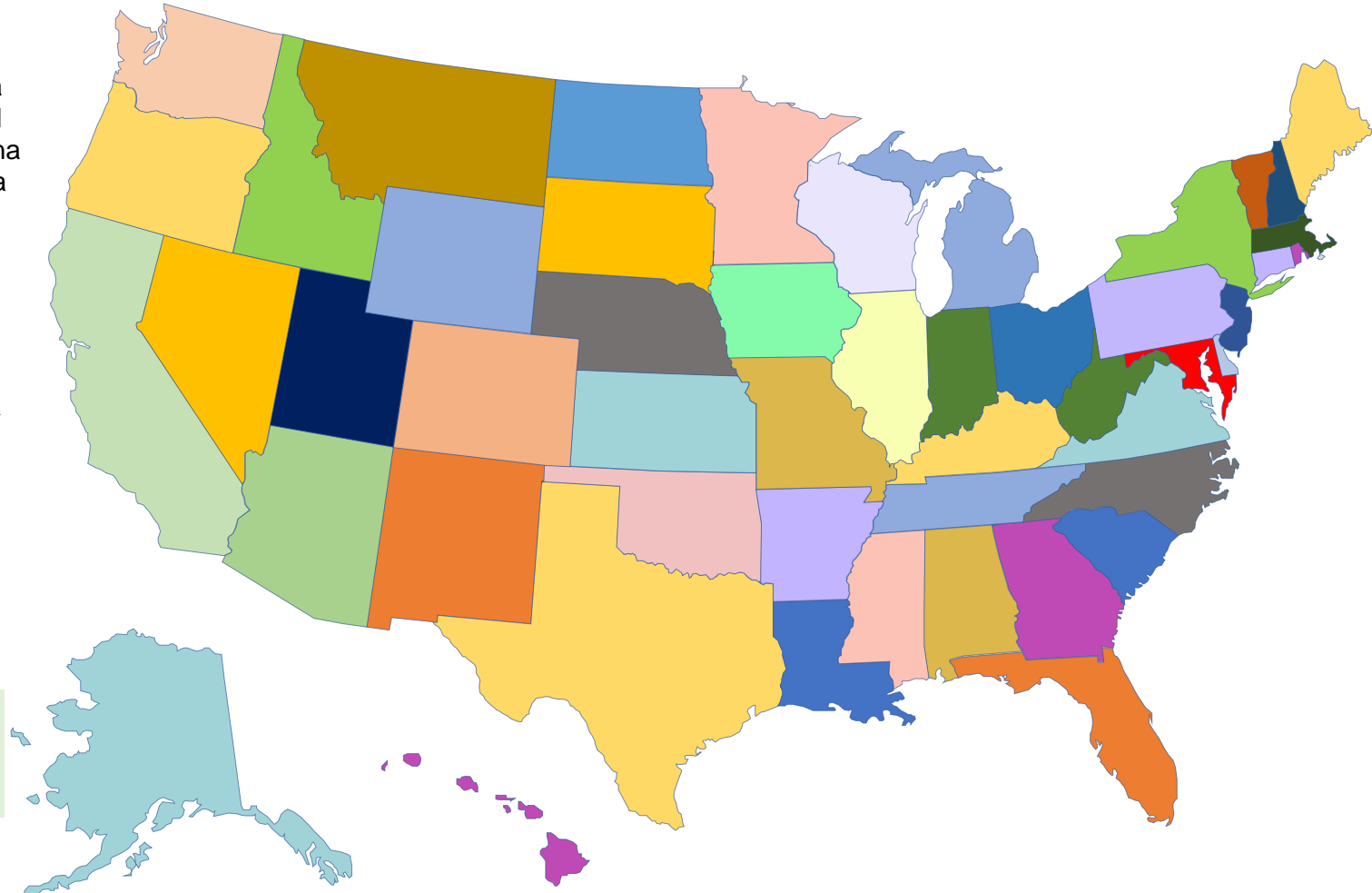
The rate of interest charged for corporation is 11% and 9.5% for shareholders/partners.



# Upcoming Series

*Please find below the list of completed alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.*

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| 1. Delaware    | 19. Louisiana      | 37. Oregon         |
| 2. New Jersey  | 20. Maine          | 38. Pennsylvania   |
| 3. California  | 21. Maryland       | 39. Rhode Island   |
| 4. Alabama     | 22. Massachusetts  | 40. South Carolina |
| 5. Alaska      | 23. Michigan       | 41. South Dakota   |
| 6. Arizona     | 24. Minnesota      | 42. Tennessee      |
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