



Instructions for Form IT-225 New York State Modifications

General information

Complete Form IT-225 and submit it with your return to report any New York additions and subtractions that do not have their own line on your return.

Refer to the charts found on pages 13-16 for a listing of addition and subtraction modification(s) for your specific filing that may be entered on this form.

Various modifications are entered directly on your return. See the modification charts and the instructions for the return you are filing for additional information.

Submit Form IT-225 with Form IT-201, IT-203, IT-204, or IT-205.

Special symbols

The following symbols alert you to important information and filing shortcuts.



Caution



Time-saving tip

Line instructions

Enter the name and social security number (SSN) or employer identification number (EIN) as shown on Form IT-201, IT-203, IT-204 or IT-205. If you are filing a joint personal income tax return, enter both spouses' names and the SSN of the taxpayer listed first on your Form IT-201 or IT-203.

Mark an **X** in the appropriate box identifying the return with which you are submitting Form IT-225.

Use the instructions below to determine which parts of this form you should complete. **If more than one set of instructions applies, follow all the instructions that apply to you.**

Individuals, partnerships, and estates or trusts

- Complete Schedule A, Part 1, to report your New York additions.
- Complete Schedule B, Part 1, to report your New York subtractions.

Partners, S corporation shareholders, and beneficiaries

- Complete Schedule A, Part 2, to report your New York additions from a partnership, New York S corporation, or estate or trust.
- Complete Schedule B, Part 2, to report your New York subtractions from a partnership, New York S corporation, or estate or trust.

This information should be provided by the partnership, S corporation, and estate or trust. For more information, see *New York State addition and subtraction modifications* on page 2.

Note: You may have the same modification code listed in both Part 1 and Part 2. For example, an individual may have an addition modification for interest income received from any U.S. government authority, commission, or instrumentality (A-102) and have the same modification as a partner for income from a partnership. You would enter **102** and the applicable amounts under Schedule A, Part 1 as an individual, and Schedule A, Part 2 as a partner.

If you have more than seven entries in any part, submit a separate Form IT-225 listing the additional addition or subtraction modifications in the appropriate parts.

Schedule A – New York State additions

Enter the New York State addition modifications that apply to you:

- as an individual, partnership, estate or trust in Part 1, and
- as a partner, shareholder, or beneficiary in Part 2.

Part 1 – Individuals, partnerships, and estates or trusts

Line 1

Enter the applicable New York State addition modification number(s) on lines 1a through 1g. The addition modifications can be found starting on page 3. In column A, enter the total of each New York State addition modification. Form IT-203 filers, partnerships, estates and trusts who are doing business in and out of New York enter in column B the portion that relates to income, gain, loss, or deduction derived from or connected with New York State sources.



Form IT-201 filers do not enter A-103, A-104, or A-113



Form IT-203 filers do not enter A-104 or A-113



Form IT-205 filers do not enter A-113 or A-201

See the charts starting on page 13 showing where these modifications are entered directly on your return.

Part 2 – Partners, shareholders, and beneficiaries

Line 5

Enter the New York State addition modifications provided by the entity of which you are a partner, shareholder, or beneficiary. Be sure to enter the total amount and NYS allocated amount (if applicable) in the appropriate column.



Form IT-201 filers do not enter EA-103 or EA-113



Form IT-203 filers do not enter EA-113



Form IT-205 filers do not enter EA-113 or EA-201

See the charts starting on page 13 showing where these modifications are entered directly on your return.

If you receive the **same** addition modification number from more than one partnership, S corporation, or estate or trust, combine the amounts and enter the modification number and the total amount on one line.

Line 9

Enter the line 9 amount as follows:

Form IT-201 filers: Enter the line 9 amount on Form IT-201, line 23.

Form IT-203 filers: Enter the line 9 amount on Form IT-203, line 22, *Federal amount* column. Enter on line 22, *New York State amount* column, the sum of the entries from Form IT-225, lines 1 and 5, column B.

Estates and trusts: Enter the line 9 amount on Form IT-205, line 65.

Partnerships: Enter the line 9 amount on Form IT-204, line 108.

Schedule B – New York State subtractions

Enter the New York State subtraction modifications that apply to you:

- as an individual, partnership, estate or trust in Part 1, and
- as a partner, shareholder, or beneficiary, in Part 2.

Part 1 – Individual, partnerships, and estates or trusts

Line 10

Enter the applicable New York State subtraction modification number(s) on lines 10a through 10g. The subtraction modifications can be found starting on page 7. In column A, enter the total of each New York State subtraction modification. Form IT-203 filers, partnerships, estates and trusts who are doing business in and out of New York enter in column B, the portion that relates to income, gain, loss, or deduction derived from or connected with New York State sources.

⚠ Form IT-201 filers do not enter S-103, S-104, S-106, S-107, S-108, or S-125

⚠ Form IT-203 filers do not enter S-106, S-107, S-108, or S-125

⚠ Form IT-205 filers do not enter S-125

See the charts starting on page 13 showing where these modifications are entered directly on your return.

Part 2 – Partners, shareholders, and beneficiaries

Line 14

Enter the New York State subtraction modifications as provided by the entity of which you are a partner, shareholder, or beneficiary. Be sure to enter the total amount and NYS allocated amount (if applicable) in the appropriate column.

⚠ Form IT-201 filers do not enter ES-103, ES-104, ES-106, ES-107, ES-108, or ES-125

⚠ Form IT-203 filers do not enter ES-106, ES-107, ES-108, or ES-125

⚠ Form IT-205 filers do not enter ES-125

See the charts starting on page 13 showing where these modifications are entered directly on your return.

If you receive the same subtraction modification number from more than one partnership, S corporation, or estate or trust, combine the amounts and enter the modification number and the total amount on one line.

Line 18

Enter the line 18 amount as follows:

Form IT-201 filers: Enter the line 18 amount on Form IT-201, line 31.

Form IT-203 filers: Enter the line 18 amount on Form IT-203, line 29, *Federal amount* column. Enter on line 29, *New York State amount* column, the sum of the entries from Form IT-225, lines 10 and 14, column B.

Estates and trusts: Enter the line 18 amount on Form IT-205, line 68.

Partnerships: Enter the line 18 amount on Form IT-204, line 110.

New York State addition and subtraction modifications

In the modification descriptions below, *you* will refer to an individual, estate, trust or partnership, as applicable. See the chart starting on page 13 for information on which forms the modifications apply to.

Form IT-203 filers

Nonresident individuals

Enter in column A, *Total amount*, the New York State additions or subtractions that must be added to or subtracted from your federal AGI. Enter in column B, *NYS allocated amount*, the portion that relates to income, loss, or deduction derived from or connected with New York State sources. New York additions and subtractions that relate to intangible items of income, such as interest or ordinary dividends, are only required to the extent the property that generates the income is employed in a business, trade, profession, or occupation carried on in New York State.

Part-year residents

If you were a part-year resident, include the portion of any of the additions and subtractions that relate to your New York State resident period in the NYS allocated amount column. Also, for the period you were a nonresident, include in the *NYS allocated amount* column the portion of any of the additions and subtractions to the extent they are related to a business, trade, profession, or occupation carried on in New York State or are from real or tangible personal property located in New York State.

Payments for charitable purposes (estates and trusts only)

The additions and subtractions for Form IT-205, schedule B, lines 63 and 67 and items A-102, S-108, and S-116 (property that had a higher adjusted basis for New York State income tax purposes than for federal tax purposes on December 31, 1959, or on the last day of a fiscal year ending during 1960), S-117, S-121, and S-123 need not be made with respect to any amount paid or set aside for charitable purposes.

S corporation shareholders

If you are a shareholder of a federal S corporation for which the election to be a New York S corporation was in effect for the tax year, include any of the following additions and subtractions that apply to your pro rata share of S corporation items of income, gain, loss, or deduction. Additions A-302, A-303, and A-304, and subtraction S-302 do not apply to you since they apply only to nonelecting S corporations. If the election to treat the corporation as a New York S corporation terminated during the tax year, you must make the additions and subtractions only to the extent they are attributable to the period for which the election to be a New York S corporation was in effect. Obtain your share of S corporation items of income, gain, loss, and deduction from the S corporation.

If you are a shareholder of an S corporation that was eligible to make the election to be a New York S corporation for the tax year but did not make the election, include additions A-302, A-303, A-304, and subtraction S-302.

If you were not eligible to make the election to treat your corporation as a New York S corporation because the corporation was not subject to Article 9-A, general business corporation franchise tax, or Article 32, banking corporation franchise tax, include any of the following additions and subtractions that apply to your pro rata share of S corporation items of income, gain, loss, or deduction. Additions A-301 through A-304, and subtractions S-301 and S-302 do not apply

to you since they apply only to electing and nonelecting New York S corporations.

If a gain or loss is recognized on your federal income tax return due to the disposition of stock or indebtedness of an S corporation that did not elect to be a New York S corporation for any tax year after December 31, 1980, make addition A-304 or subtraction S-301, whichever applies to you.

You must make the adjustments for the tax year of the S corporation that ends in your tax year.

New York State additions

Write in the applicable number(s) and the amount of each addition modification on lines 1a through 1g.

Any amounts passed to you by a partnership, S corporation, estate, or trust should be entered directly on lines 5a through 5g.

A-101 New York City flexible benefits program (IRC 125)

If a federal Form W-2 wage and tax statement(s) show(s) that an amount was deducted or deferred from your salary under a flexible benefits program established by New York City or certain other New York City public employers on your or a decedent's behalf, **then** enter this amount. Certain other New York City public employers include:

- City University of New York;
- NYC Health and Hospitals Corporation;
- NYC Transit Authority;
- NYC Housing Authority;
- NYC Off-Track Betting Corporation;
- NYC Board of Education;
- NYC School Construction Authority;
- NYC Rehabilitation Mortgage Insurance Corporation;
- Manhattan and Bronx Surface Transit Operating Authority; and
- Staten Island Rapid Transit Authority.

A-102 Income from certain obligations of U.S. government agencies or instrumentalities

If, during the tax year, any interest or dividend income from any U.S. government authority, commission, or instrumentality that federal laws exempt from federal income tax but do not exempt from state income tax was received or credited, **then** enter that income. If you are uncertain whether a particular federal bond or obligation is subject to state income tax, contact the Tax Department (see *Need help?* in the instructions for the return you are filing).

A-103 New York's 529 college savings program distributions

If a nonqualified withdrawal was made from an account established under **New York's** 529 college savings program, **then** enter in the *Total amount* column the amount from line 7 of the worksheet below.

Full-year resident individuals: Do not include this modification on Form IT-225. Instead, enter the addition modification on Form IT-201, line 22, if applicable. See the instructions for Form IT-201, line 22.

Part-year resident individuals only: Also include in the *New York State allocated amount* column any portion of line 7 made while a resident of New York State.

Partnerships: If the partnership made a nonqualified withdrawal from an account established under **New York's** 529 college savings program, **then** enter the amount of the withdrawal on Form IT-225, line 1. Do not complete the worksheet below.

A withdrawal is nonqualified if (1) the withdrawal is actually disbursed in cash or in-kind from the college savings program and the funds are not used for the higher education of the designated beneficiary (even if the amount withdrawn is reinvested in **New York's** 529 college savings program within the IRC 60-day rollover period); or (2) on or after January 1, 2003, the funds are transferred from **New York's** 529 college savings program to another state's program (whether for the same beneficiary or for the benefit of another family member). However, nonqualified withdrawals **do not** include any withdrawals made during the tax year as a result of the death or disability of the designated beneficiary, regardless of how the funds are used.

Note: Transfers between accounts of family members not disbursed in cash or in-kind within New York's program are not considered distributions and are therefore **not** required to be added back as nonqualified withdrawals.

Include applicable amounts from all existing accounts owned on lines 1 through 7 of the worksheet below. Do not include amounts applicable to accounts that were closed in a prior tax year. If you are filing a joint return, include the applicable amounts from all existing accounts owned by you and your spouse. Also include on lines 1 and 2 of the worksheet your share of any amounts withdrawn or contributed by a partnership of which you are a partner. A partnership includes a limited liability company (LLC) that has elected to be treated as a partnership for federal income tax purposes.

Also note: Before completing the worksheet, you must first compute your subtraction modification S-103.

Worksheet

| | | | |
|---|--|---|-------|
| 1 | Total current and prior years' nonqualified withdrawals from your account(s) | 1 | _____ |
| 2 | Total current and prior years' contributions to your account(s) | 2 | _____ |
| 3 | Total current year's S-103 subtraction modification and prior years' subtraction modifications* | 3 | _____ |
| 4 | Subtract line 3 from line 2 .. | 4 | _____ |
| 5 | Total prior years' addition modifications* | 5 | _____ |
| 6 | Add lines 4 and 5 | 6 | _____ |
| 7 | Subtract line 6 from line 1. This is your current year A-103 addition modification. Enter on Form IT-225, line 1. If line 7 is 0 (zero) or less, there is no entry required on Form IT-225, line 1 for this addition | 7 | _____ |

*Be sure to include all prior years' addition and subtraction modifications. Keep this worksheet with your copy of your return.

A-104 414(h) retirement contributions

Individuals: Do not include this modification on Form IT-225. Instead, enter the addition modification on Form IT-201, line 21, or Form IT-203, line 21, if applicable. See the instructions for the return you are filing.

If an estate or trust has an amount shown on a decedent's wage and tax statement(s), federal Form W-2, that was deducted from their salary as a retirement contribution, **then** enter that amount.

Note: These are retirement contributions made by:

- a member of the New York State and Local Retirement Systems, which include the New York State Employees' Retirement System and the New York State Police and Fire Retirement System; **or**
- a member of the New York State Teachers' Retirement System; **or**
- a deceased employee of the State or City University of New York who belongs to the Optional Retirement Program; **or**
- a member of the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund or the New York City Fire Department Pension Fund; **or**
- a member of the Manhattan and Bronx Surface Transit Operating Authority (MABSTOA) Pension Plan.

Do not enter contributions to an IRC section 401(k) deferred arrangement, IRC section 403(b) annuity, or IRC section 457 deferred compensation plan.

A-105 Special additional mortgage recording tax deduction

If special additional mortgage recording tax was deducted in computing your federal income, and the special additional tax was paid before January 1, 1988, and in a prior year you were allowed a New York State personal income tax credit for that tax, **then** enter the amount deducted. Do not make the addition for the tax paid to record a mortgage on or after January 1, 2004, even if you claimed a credit for that tax.

A-106 Special additional mortgage recording tax basis adjustment

If property on which you paid a special additional mortgage recording tax was sold or disposed of, and a special additional tax was paid before January 1, 1988, and in a prior year you or the partners claimed a New York State personal income tax credit for that tax, **then** enter the amount, if any, of the federal basis of the property that was not adjusted to reflect the amount of the credit allowed.

A-107 Sales or dispositions of assets acquired from decedents

Note: This adjustment is not required for property acquired from decedents who died on or after February 1, 2000.

Assets of decedents can sometimes have different bases for state and federal tax purposes. This requires adjustments in the gain or loss on the sale or disposition of those assets.

If during the tax year, there was a sale or other disposition of any assets that had been inherited or sold or disposed of directly by the estate of a decedent; **and**

- the estate of the decedent was not large enough to require a federal estate tax return; **and**
- the executor or administrator of that estate had valued those assets for New York State income tax purposes at less than their value for federal income tax purposes, **then** enter the **difference between** (a) the gain or loss on that sale or disposition that was included in your federal income for the tax year and (b) the gain or loss that would have resulted if the assets had been valued the same for New York State income tax purposes as for federal income tax purposes.

A-108 Disposition of solar and wind energy systems

If in any tax year beginning on or after January 1, 1981, and ending before December 31, 1986, you took a New York State solar and wind energy credit on property; **and**

- that property was sold or otherwise disposed of during the tax year; **and**
- a reportable gain resulted for federal income tax purposes from that sale or disposition; **and**
- you had included the cost of the energy system in the federal basis of the property but did not reduce the federal basis by the state credit, **then** enter the amount of the credit you had previously claimed.

A-109 New business investment; deferral recognition

If, in any tax year beginning on or after January 1, 1982, and before 1988, you chose to subtract all or a portion of a long term capital gain from your federal income because that amount had been reinvested in a new New York business, and if that reinvestment was sold in the current tax year, **then** enter the amount that had been previously subtracted.

A-110 Qualified emerging technology investments (QETI)

If you elected to defer the gain from the sale of QETI because you reinvested in a New York qualified emerging technology company, and if you sold that reinvestment during the tax year, **then** you must enter the amount previously deferred. See S-115.

A-111 Interest expense on loans used to buy obligations exempt from NYS tax, amortized bond premium on bonds that are exempt from NYS tax and other expenses relating to the production of income exempt from NYS tax

- a) If your federal income includes a deduction for interest expense used to buy bonds, obligations, or securities whose interest income is taxable for federal purposes but exempt from New York State tax, **then** enter that interest expense.
- b) If your federal income includes a deduction for the amortization of bond premiums on bonds whose interest income is taxable for federal purposes but exempt from NYS tax, **then** enter that amortized premium.
- c) If your federal income includes a deduction for expenses relating to the production of income which is taxable for federal purposes but exempt from New York State tax, **then** enter that interest expense.

A-112 Health insurance and the welfare benefit fund surcharge

If you or a decedent were a career pension plan member of the NYC Employees' Retirement System or the NYC Board of Education Retirement System; **and** your or the decedent's wage and tax statement(s), federal Form W-2, show an amount that was deducted from salary for health insurance and the welfare benefit fund surcharge, **then** enter that amount.

A-113 Interest income on state and local bonds and obligations (but not those of New York State or its local governments)

Individuals: Do not include this modification on Form IT-225. Instead, enter the addition modification on Form IT-201, line 20, or Form IT-203, line 20, as applicable.

Estates and trusts: Do not include this modification on Form IT-225. Instead, enter the addition modification on Form IT-205, line 63.

Interest income on obligations of other states or political subdivisions of those states that is exempt from federal income tax is subject to New York State tax. This includes interest income on state and local bonds (but not those of New York State and local governments within the state), interest and dividend income from tax-exempt bond mutual funds, and tax-exempt money market funds that invest in obligations of states other than New York (section 612(b)(1)).

If you purchased a bond between interest dates, include the amount of interest you received during the year, less the seller's accrued interest (the amount accrued from the interest date preceding your purchase to the date you purchased the bond). If you sold a bond between interest dates, include the amount of interest you received during the year plus the accrued interest amount (the amount accrued from the interest date preceding the date you sold the bond to the date you sold the bond). You should have received this information when you purchased or sold the bond.

A-114 Form 4970 accumulation distributions of trusts

If you filed federal Form 4970, *Tax on Accumulation Distribution of Trusts*, the income you reported on line 1 of Form 4970 is not included on line 11 of Form IT-201 or IT-203 because the IRC considers the distribution part of federal gross income. You must therefore enter the amount of **income you reported on Form 4970, line 1, less any interest income on state and local bonds and obligations of New York State and its local governments** (that was included on Form 4970, line 5).

A-115 Special accruals

If you have or had a change in resident status, you may have to use special accrual rules to compute your tax. Income accrues to you as a taxpayer when the amount becomes fixed and determinable and you have an unrestricted right to receive it. An accrued expense is a cost that has been incurred but not yet paid. See the instructions for the return you are filing for more information on special accruals.

If you are subject to the special accrual rules, **then** enter your accrued item of income, gain, loss, or deduction. Also see S-129.

A-117 Incomplete gift non-grantor trust

If you transferred property to an incomplete gift non-grantor trust, **then** include the income (less deductions) of the trust, to the extent such income would be taken into account in computing your federal taxable income if the trust in its entirety were treated as a grantor trust for federal tax purposes.

An incomplete gift non-grantor trust means a resident trust that does not qualify as a grantor trust under IRC sections 671 through 679 and the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC section 2511 and its regulations. Do not include any income from a trust that was liquidated before June 1, 2014.



Are you a Form IT-201 or Form IT-203 filer who files federal Schedule(s) C-EZ, C, E, or F, or are you filing Form IT-204 or Form IT-205?

If **No**, go to *New York State subtractions*.

If **Yes**, see the addition modifications below.

A-201 Personal income taxes and unincorporated business taxes deducted in determining federal adjusted gross income (AGI)

You may not deduct personal income taxes or unincorporated business taxes in computing New York State income.

If you included a deduction for state, local, or foreign income taxes, including unincorporated business taxes, when computing your federal income, **then** you must enter the amount of that deduction. For example, if you operated a business and deducted New York City unincorporated business tax on your federal return as an expense of doing business, include this tax amount.

Note: The New York State filing fee paid on Form IT-204-LL, *Partnership, Limited Liability Company, and Limited Liability Partnership Filing Fee Payment Form*, is not an income tax and therefore not included in this modification.

⚠ Estates and trusts: Do not include this modification on Form IT-225. Instead, enter the addition modification, if applicable, on Form IT-205, line 64.

S corporation shareholders: If you are a shareholder of a federal S corporation for which a New York S election was in effect; **and** that corporation deducted taxes imposed by Article 9-A (general business corporation franchise tax), or Article 32 (banking corporation franchise tax), of the New York State Tax Law, **then** enter your pro rata share of those taxes. (However, you do not need to include state or local taxes of another state, political subdivision of another state, or the District of Columbia.)

A-202 Percentage depletion

If you claimed a deduction on your federal return for percentage depletion, **then** enter the amount deducted in computing your federal income. Also see S-206.

A-203 Safe harbor leases (IRC section 168(f)(8))

If, in computing your federal income, you took deductions attributable to a safe harbor lease (except for mass transit vehicles) made under an election provided for by IRC section 168(f)(8) as it was in effect for agreements entered into prior to January 1, 1984, **then** enter those deductions. Also see A-204, S-208, and S-209.

A-204 Safe harbor leases

If your financial matters during the tax year involved a safe harbor lease (except for mass transit vehicles) made under an election provided for by section 168(f)(8) of the IRC as it was in effect for agreements entered into prior to January 1, 1984, **then** you must enter the income that would have been included in federal income if such an election had not been made. Also see A-203, S-208, and S-209.

A-205 Accelerated cost recovery system (ACRS) deduction

If you claimed ACRS depreciation on your federal return for:

- property placed in service during tax years 1981 through 1984 (other than 280F property); **or**
- property placed in service outside New York State during tax years 1985 through 1993 (other than 280F property) and you elect to continue using IRC 167 depreciation (see TSB-M-99(1));

then enter the amount that was deducted in computing your federal income. You must submit Form IT-399, *New York State Depreciation Schedule*, with your return.

(continued)

△ Partners, shareholders, and beneficiaries - Do not complete Form IT-399 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

A-206 ACRS property; year of disposition adjustment

If you disposed of property that was depreciated for federal purposes using ACRS, and if ACRS depreciation was not allowed for state purposes (see A-205), **then** you must complete Part 2 of Form IT-399, *New York State Depreciation Schedule*, to determine the amount to enter. Also see S-211.

A-207 Farmers' school tax credit

If you claimed the farmers' school tax credit on your 2013 New York State tax return, **and** you deducted the school taxes in computing federal income on your 2013 federal return, **then** you must enter the amount of the credit claimed for 2013 on this year's return. However, do not make this modification if you were required to report the amount of the credit as income on the 2014 federal return.

A-208 Sport utility vehicle expense deduction

If you claimed an IRC section 179 deduction on your federal return with respect to a sport utility vehicle that weighs more than 6,000 pounds, and you are not an eligible farmer as defined for purposes of the farmers' school tax credit (see Form IT-217-I, *Instructions for Form IT-217, Claim for Farmers' School Tax Credit*), **then** enter the amount of that deduction.

Note: If a partner is an eligible farmer for purposes of the farmers' school tax credit, the partner is not required to make an addition modification for their share of the A-208 modification.

A *sport utility vehicle* is any four-wheeled passenger vehicle manufactured primarily for use on public streets, roads, and highways. However, *sport utility vehicle* does not include (1) any ambulance, hearse, or combination ambulance-hearse used directly in a trade or business; (2) any vehicle used directly in the trade or business of transporting persons or property for compensation or hire; or (3) any truck, van, or motor home. A *truck* is any vehicle that has a primary load-carrying device or container attached, or is equipped with an open cargo area or covered box not readily accessible from the passenger compartment.

A-209 IRC section 168(k) property depreciation

With the exception of resurgence zone property and New York liberty zone property described in IRC section 1400L(b)(2), New York State does not follow the federal depreciation rules for IRC section 168(k) property placed in service inside or outside New York State on or after June 1, 2003. **If** you claimed a depreciation deduction for such property, **and if** no exception for resurgence zone or New York liberty zone property applies, **then** complete Part 1 of Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*, to determine the amount to enter. Submit Form IT-398 with your return.

△ Partners, shareholders, and beneficiaries - Do not complete Form IT-398 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

A-210 Special depreciation

If you made an election for tax years beginning before 1987 for:

- special depreciation,
- research and development expenditures,

- waste treatment facility expenditures,
- air pollution control equipment expenditures, **or**
- acid deposition control equipment,

then enter the amount of depreciation or expenditures relating to these items that was deducted in computing federal income on your return. For more information, see Form IT-211, *Special Depreciation Schedule*, and its instructions. Also see S-207.

△ Partners, shareholders, and beneficiaries - Do not complete Form IT-398 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

A-211 Royalty and interest payments made to a related member or members

For tax years beginning on or after January 1, 2003, New York requires certain taxpayers to add back deductions they took on their federal return for certain royalty payments for the use of intangible property, such as trademarks or patents, and interest payments they made to a related member or members. Include the amount for any such payments you deducted in computing your federal income. See Tax Law section 612(r).

Exceptions to this add back apply. For more information on the exceptions, see TSB-M-13(4)l. If you believe you do not have to make this add back as a result of one of the exceptions, attach a statement to your return explaining how you meet each requirement for the exception.

A-212 Environmental remediation insurance premiums

If you paid premiums for environmental remediation insurance and you claimed a deduction for such premiums and you also claimed the environmental remediation insurance credit by filing Form IT-613, *Claim for Environmental Remediation Insurance Credit*, **then** enter the amount of the environmental remediation insurance credit allowed.

A-213 Domestic production activities deduction

If you claimed an IRC section 199 domestic production activities deduction in computing federal income on the return, **then** enter the amount deducted.

A-214 Metropolitan commuter transportation mobility tax (MCTMT)

If you claimed a federal deduction for the MCTMT imposed under Article 23 of the Tax Law, **then** enter the amount deducted.

A-215 NOL deduction limitation

If your federal taxable income, computed without the NOL deduction is less than your federal NOL deduction, **then** complete the *NOL Worksheet* in Publication 145, *Net Operating Losses (NOLs) for New York State Resident Individuals, Estates, and Trusts*. Enter the amount from line 6 of the worksheet as your New York NOL addition modification in the *Total amount* column. Form IT-203 filers: do not enter an amount in the *New York State allocated amount* column.

A-216 Manufacturer's real property tax

If you claimed any federal deduction for real property taxes and you also claimed the manufacturer's real property tax credit by filing Form IT-641, *Manufacturer's Real Property Tax Credit*, **then** enter the amount of the federal deduction for real property taxes used in the calculation for the basis of the real property tax manufacturer's credit.

A-217 **START-UP NY excise tax on telecommunication services**

If you claimed any federal deduction for excise taxes on telecommunication services and you also claimed the START-UP NY telecommunication services excise tax credit by filing Form IT-640, *START-UP NY Telecommunication Services Excise Tax Credit*, **then** enter the amount of the federal deduction for excise taxes on telecommunication services used in the calculation of the basis for the excise tax on telecommunication services credit.

**Additions A-301 through A-304 apply to S corporation shareholders only.****A-301** **S corporation shareholders; reduction for taxes**

If you are a shareholder of an S corporation for which a New York S corporation election was in effect for the tax year, **then** enter your pro rata share of the S corporation's reductions for taxes imposed on built-in gains and reductions for taxes imposed on excess net passive income as described in IRC sections 1366(f)(2) and (3).

A-302 **S corporation shareholders; pass-through loss or deduction items**

If you are a shareholder of an S corporation which is a New York C corporation, **then** enter any S corporation pass-through items of loss or deduction you took into account in computing your federal AGI, pursuant to IRC section 1366.

A-303 **S corporation shareholders**

If you did not include S corporation distributions in your federal AGI due to the application of IRC sections 1368, 1371(e), or 1379(c) **and** these distributions were not previously subject to New York personal income tax because the corporation was a New York C corporation, **then** enter these distributions.

A-304 **S corporation shareholders; disposition of stock or indebtedness with increased basis**

Federal law requires holders of stock or indebtedness in a federal S corporation to include undistributed taxable income in their federal AGI and take a corresponding increase in basis. New York law requires a similar increase in basis on disposition of the stock or indebtedness where the federal S corporation is or was a New York C corporation.

If you reported a federal gain or loss because of the disposition of stock or indebtedness of an S corporation **and** that S corporation was a New York C corporation for any tax year beginning after December 31, 1980 (in the case of a corporation taxable under Article 9-A, general business corporation tax), or December 31, 1996 (in the case of a corporation taxable under Article 32, banking corporation franchise tax), **then** enter the increase in the basis of the stock or indebtedness that is due to the application of IRC sections 1376(a) (as in effect for tax years beginning before January 1, 1983) and 1367(a)(1)(A) and (B) for each tax year that a New York S election was **not** in effect.

EA-901 **Beneficiary's share of fiduciary adjustment**

If your share of the fiduciary adjustment is a net addition, **then** enter this amount and the modification number on Form IT-225, line 5. Also see ES-901.

As a beneficiary, you may have income from an estate or trust. Any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment.

New York State subtractions

Write in the applicable number(s) and the amount of each subtraction modification on lines 10a through 10g.

Any amounts passed to you by a partnership, S corporation, estate, or trust should be entered directly on lines 14a through 14g.

S-101 **START-UP NY wages**

To be eligible for the wage exclusion you must:

- work exclusively at the approved business's location within the tax-free NY area during the tax year (generally, a calendar year);
- work at the approved business's location within the tax-free NY area for at least six months during the calendar year (therefore, you must be employed by the approved business before July 1st of a calendar tax year);
- be employed by an approved business that is in compliance with the START-UP NY program; and
- be employed by the approved business in a net new job created by the business in the tax-free NY area.

If eligible, **then** you are allowed a subtraction modification (exclusion) on your return as follows:

- During the first five years of an approved START-UP NY business's 10 consecutive taxable year period, the total wages paid to you by an approved business are to be subtracted from federal AGI, to the extent the wages are included in federal AGI, when computing New York adjusted gross income.
- During the second five years of the approved business's 10 consecutive taxable year period, the allowed wage exclusion for an eligible employee is:
 - \$200,000 of annual wages, if your filing status is single,
 - \$250,000 of annual wages, if your filing status is head of household, or
 - \$300,000 of annual wages, if you are filing a joint return, to the extent included in federal AGI of the employee of the approved business.

START-UP NY wages should be reflected on your Form W-2 and will be reported to New York State by your employer.

S-102 **Build America Bond (BAB) Interest**

Enter any interest income attributable to a BAB issued by New York State or its local governments that you included in federal income.

S-103 **New York's 529 college savings program deduction**

Form IT-201 filers: Do not enter this code on Form IT-225. Instead, enter the subtraction modification on line 30 of Form IT-201, as applicable. See the instructions for Form IT-201.

Form IT-203 filers: If in 2014 you, as an account owner, made contributions to one or more tuition savings accounts established under **New York's** 529 college savings program, **then** enter that amount, up to \$5,000 for an individual, head of household, qualifying widow(er), or married taxpayers filing separately, or up to \$10,000 for married taxpayers filing a joint return, in the **Total amount column only**.

In determining the amount to enter, you must also enter your share of contributions made by a partnership of which you are a partner.

Part-year resident individuals only: Also enter in the *New York State allocated amount* column any such contribution(s) made while a resident of New York State.

Estates, trusts, and partnerships: If an estate, trust, or partnership made contributions as the account owner to one or more 529 college savings program account(s) established under **New York's** 529 college savings program, and the contributions were not deductible or eligible for a credit for federal income tax purposes, **then** enter that amount.

S-104 **New York's 529 college savings program distributions**

Form IT-201 filers: Do not enter this code on Form IT-225. Instead, enter the subtraction modification on line 30 of Form IT-201, as applicable. See the instructions for Form IT-201.

Form IT-203 filers: If in 2014 you, as an account owner (or beneficiary), made a withdrawal (or received a withdrawal) from an account established under **New York's** 529 college savings program, and part of the withdrawal was included in your federal AGI, **then** enter that amount in the **Total amount column only**.

Part-year resident individuals only: Also enter in the *New York State allocated amount* column any such withdrawal(s) made while a resident of New York State. See A-103.

Estates, trusts, and partnerships: If an estate, trust, or partnership made a withdrawal from an account established under **New York's** 529 college savings program, and part of the withdrawal was included in its federal income, **then** enter that amount included in federal income.

S-105 **Long-term residential care deduction**

If you were a resident in a continuing-care retirement community that was issued a certificate of authority by the NYS Department of Health, **then** enter the portion of the fees you paid during the year that were attributable to the cost of providing long-term care benefits to you under a continuing care contract. However, do not enter more than the premium limitation shown for your age in the *Limitation table* below. If you and your spouse both qualify, you may each take the subtraction. However, you cannot claim any unused part of your spouse's subtraction.

| If your age at the end of 2014 was: | You cannot claim more than: |
|--|-----------------------------|
| 40 or younger..... | \$ 370 |
| at least 41 but not older than 50..... | 700 |
| at least 51 but not older than 60..... | 1,400 |
| at least 61 but not older than 70..... | 3,720 |
| 71 or older..... | 4,660 |

S-106 **Pension and annuity income exclusion**

Individuals: Do not enter this code on Form IT-225. Instead, enter the subtraction modification on Form IT-201, line 29, or Form IT-203, line 28, as applicable. See the instructions for the return you are filing.

New York State Tax Law allows for a pension and annuity income exclusion, but not more than \$20,000, for pension and annuity income included in federal taxable income.

If the estate or trust received pension and annuity income of a decedent, **then** the estate or trust may make this subtraction if the decedent would have been entitled to it, had the decedent continued to live, regardless of the age of the beneficiary. If the

decedent would have become 59½ during 2014, enter only the amount received after the decedent would have become 59½, but not more than \$20,000.

Qualifying pension and annuity income **does not include** distributions received as a **nonemployee spouse** in accordance with a court-issued qualified domestic relations order (QDRO) that meets the criteria of IRC section 414(p)(1)(A), or in accordance with a domestic relations order (DRO) issued by a New York court.

Note: Do not enter any pension received from New York State or its political subdivisions. Qualifying pension and annuity income includes the following:

- periodic payment for services performed as an employee before retirement;
- periodic and lump-sum payments from an IRA or from an HR-10 (Keogh) plan, but **not** payments derived from contributions made after retirement;
- lump-sum payment from an HR-10 (Keogh) plan, but only if federal Form 4972 is not used (do **not** include the part of the payment that was derived from contributions made after retirement);
- distributions of benefits from a cafeteria plan (IRC section 125) or a qualified cash or deferred profit sharing or stock bonus plan (IRC section 401(k)) but not distributions derived from contributions made after you retired;
- periodic distributions from government IRC section 457 deferred compensation plans after December 31, 2001; and
- periodic distributions from an annuity contract (IRC section 403(b)) purchased by an employer for an employee and the employer is a corporation, community chest, fund, foundation, or public school.

For more information, see Publication 36, *General Information for Senior Citizens and Retired Persons*.

S-107 **Pensions of New York State and local governments and federal government**

Individuals: Do not enter this code on Form IT-225. Instead, enter the subtraction modification on Form IT-201, line 26, or Form IT-203, line 25, as applicable. See the instructions for the return you are filing.

Estates and trusts: If a decedent received any pension or distributions from a pension plan that represents a return of contributions in a year prior to retirement, as an officer, employee, or beneficiary of an officer or employee of:

- New York State, which includes:
 - State and City University of New York and New York State Education Department employees who belong to the Optional Retirement Program. Optional Retirement Program members may only subtract that portion attributable to employment with the State or City University of New York or the New York State Education Department.
- Certain public authorities, including:
 - Metropolitan Transit Authority (MTA) Police 20-year Retirement Program; – Manhattan and Bronx Surface Transit Operating Authority (MABSTOA); **and**
 - Long Island Railroad Company;
- local governments within the state; **or**
- the United States, its territories or possessions, political subdivisions of these territories or possessions, the District of Columbia, or any agency or instrumentality of any of the above (including the military)

that was included in federal taxable income; **then** enter that amount.

For more information, see Publication 36, *General Information for Senior Citizens and Retired Persons*.

Also include distributions received from a New York State or local pension plan or from a federal government pension plan as a **nonemployee spouse** in accordance with a court-issued qualified domestic relations order (QDRO) that meets the criteria of IRC section 414(p)(1)(A), or in accordance with a domestic relations order (DRO) issued by a New York court. For additional information, see Publication 36.

You may not subtract (1) pension payments or returns of contributions that were attributable to the decedent's employment by an employer other than a New York public employer, such as a private university, and any portion attributable to contributions the decedent made to a supplemental annuity plan which was funded through a salary reduction program, or (2) periodic distributions from government (IRC section 457) deferred compensation plans. However, these payments may qualify for the pension and annuity income exclusion; see S-106 *Pension and annuity income exclusion*.

S-108 Taxable refunds, credits, or offsets of state and local income taxes

△ Individuals: Do not enter this code on Form IT-225. Instead, enter the subtraction modification on Form IT-201, line 25, or Form IT-203, line 24, as applicable. See the instructions for the return you are filing.

Estates, trust and partnerships: If during 2014 you included in your federal income any refunds, credits, or offsets of state and local income taxes (including the New York City unincorporated business tax and any taxes imposed under Tax Law Article 23 (MCTMT)), **then** enter that income.

S-109 Accelerated death benefits received that were includable in federal AGI

Enter any amount you included in federal income that was received by any person as (a) an accelerated payment or payments of part or all of the death benefit or special surrender value under a life insurance policy, or (b) a viatical settlement, as a result of a terminal illness (life expectancy of 12 months or less), or of a medical condition requiring extraordinary medical treatment, regardless of life expectancy.

S-110 Contributions for Executive Mansion, natural and historical resources, not deducted elsewhere

Enter contributions you made, not deducted elsewhere, (a) to preserve, improve, and promote the Executive Mansion as a New York State historical resource, or (b) to the Natural Heritage Trust to preserve and improve the natural and historical resources of NYS. **Do not** include amounts you deducted in determining federal income or New York itemized deductions.

S-111 Distributions made to a victim of Nazi persecution

Enter amounts included in federal income from an eligible settlement fund or grantor trust as defined by section 13 of the Tax Law (because you were persecuted or targeted for persecution by the Nazi regime), or distributions received because of your or a decedent's status as a victim of Nazi persecution, or as a spouse or heir of the victim (successors or assignees, if payment is from an eligible settlement fund or grantor trust).

S-112 Items of income related to assets stolen from or otherwise lost to a victim of Nazi persecution

Enter items of income included in federal income attributable to, derived from, or in any way related to assets stolen from,

hidden from, or otherwise lost to a victim of Nazi persecution immediately prior to, during, and immediately after World War II, including but not limited to interest on the proceeds receivable as insurance under policies issued to a victim of Nazi persecution by European insurance companies immediately prior to and during World War II, or as a spouse or heir of such victim.

However, do not include income attributable to assets acquired with assets as described above or with the proceeds from the sale of any asset described above. Also, do not include any income if you were not the first recipient of the asset, or if you are not considered a victim of Nazi persecution, or a spouse or descendant of a victim.

S-113 Professional service corporation shareholders

If in a taxable year ending after 1969 and beginning before 1988, you were required to add to your federal income deductions made by a plan acquired through membership in a professional service corporation (PSC), **then** enter the portion of those deductions that can be allocated to pension, annuity, or other income you received from the plan, and were included in your federal income.

S-114 Gain to be subtracted from the sale of a new business investment reported on your federal income tax return

Individuals: If you reported a capital gain on your federal income tax return from the sale of a new business investment, as defined in NYS Tax Law section 612(o), that was issued before 1988 and was held at least six years, **then** include one-hundred percent (100%) of that federal gain.

Estates and trusts: This subtraction may be made only to the extent that it relates to items included in the federal distributable net income of the estate or trust.

S-115 Qualified emerging technology investments (QETI)

In general, you may defer the gain on the sale of QETI that are (1) held for more than 36 months, and (2) rolled over into the purchase of replacement QETI within 365 days from, and including, the date of sale. However:

- you must recognize any gain to the extent that the amount realized on the sale of the original QETI exceeds the cost of replacement QETI;
- you must add back any deferred gain in the year you sell the replacement QETI; and
- the gain deferral applies only to QETI sold on or after March 12, 1998, that was held for more than 36 months.

If you elect to defer the gain from the sale of QETI, **then** enter the amount of the deferred gain. This amount may not exceed the amount of the gain included in your federal income.

- **If** the purchase of replacement QETI within the 365-day period occurred in the same taxable year as the sale of the original QETI, or in the following taxable year and before the date you filed a New York State tax return, **then**, take the deduction on that return.
- **If** the purchase of replacement QETI within the 365-day period occurred in the following taxable year and on or after the date you filed a New York State tax return, **then** you must file an amended tax return to claim the deduction.
- **If** the deferred gain must be included in a subsequent year's tax return because the replacement QETI has been sold, **then** enter that amount as an addition to federal income (see A-110).

A QETI is an investment in the stock of a corporation, or an ownership interest in a partnership or limited liability company (LLC) that is a qualified emerging technology company, or an investment in a partnership or an LLC to the extent that such partnership or LLC invests in such companies. The taxpayer must acquire the investment as provided in IRC section 1202(c)(1)(B), or from a person who acquired it pursuant to that section. IRC section 1202(c)(1)(B) requires the acquisition to be original issue from the company, either directly or through an underwriter, and in exchange for cash, services, or property (but not in stock).

A *qualified emerging technology company* (QETC) is a company that is located in New York State, has total annual product sales of 10 million dollars or less, and meets certain criteria. See Form DTF-620, *Application for Certification of a Qualified Emerging Technology Company*.

S-116 Sales or dispositions of assets acquired before 1960 with greater state than federal bases

New York State income tax laws prior to 1960 and current laws regarding depletion can result in a difference in the state and federal adjusted bases of certain assets. If you realize a federally taxable gain from the sale of an asset that had a higher adjusted basis for state tax purposes, you may make an adjustment to reduce your gain for state tax purposes.

If your federal income included gain that was from **either**:

- property that had a higher adjusted basis for NYS income tax purposes than for federal tax purposes on December 31, 1959 (or on the last day of a fiscal year ending during 1960); **or**
- property that was held in connection with mines, oil or gas wells, and other natural deposits and that had a higher adjusted basis for NYS income tax purposes than for federal tax purposes when sold;

then enter the **lesser of** the gain itself **or** the difference in the adjusted bases.

Individuals: If you divide gain with respect to jointly owned property between you and your spouse, then you must also divide any subtraction for different adjusted bases between you and your spouse.

Estates and trusts: This subtraction may be made only to the extent that it relates to items included in the federal distributable net income of the estate or trust.

S-117 Income earned before 1960 and previously reported to New York State

Enter any income (including annuity income) or gain included in your federal income that you (or the decedent or estate or trust from whom you acquired the income or gain) properly reported to NYS prior to 1960 (or during a fiscal year ending in 1960).

Estates and trusts: This subtraction may be made only to the extent that it relates to items included in the federal distributable net income of the estate or trust.

S-118 Military combat pay

Enter military pay you included in federal income that you received for active service as (or on behalf of) a member in the armed services of the United States in an area designated as a combat zone.

S-119 Military pay

Form IT-203 filers: Based on the *Servicemembers' Civil Relief Act*, military pay received by a nonresident, or received by a part-year resident during the part-year resident's nonresident

period, cannot be used to determine the amount of New York State personal income tax the nonresident or part-year resident military member (or the member's spouse) must pay.

Total amount column

Nonresidents: Enter the total amount of military pay included in the *Federal amount* column on line 1 of your Form IT-203.

Part-year residents: Enter the total amount of military pay included in the *Federal amount* column on line 1 of your Form IT-203 that you received during your **nonresident** period.

S-120 New York Higher Education Loan Program (HELP)

Enter any interest you paid in 2014 on loans made to you under HELP.

S-121 Certain investment income from U.S. government agencies

Enter any interest or dividend income on bonds or securities of any U.S. authority, commission, or instrumentality that is exempt from state income taxes under federal laws (but included in federal income).

S-122 Certain railroad retirement income and railroad unemployment insurance benefits

Enter supplemental annuity or Tier 2 benefits received under the Railroad Retirement Act of 1974, or benefits received under the Railroad Unemployment Insurance Act that are exempt from state income taxes under federal laws (but that you included in your federal income).

S-123 Certain investment income exempted by other New York State laws

Enter any interest or dividend income from any obligations or securities authorized to be issued and exempt from state taxation under the laws of New York State (for example, income received from bonds, mortgages, and income debenture certificates of limited dividend housing corporations organized under the Private Housing Finance Law).

S-124 Disability income exclusion

Complete Form IT-221, *Disability Income Exclusion*, to compute your disability income exclusion if you were not yet 65 when your tax year ended, **and** you retired on disability, and you were permanently and totally disabled when you retired.

S-125 Interest income on U.S. government bonds

Individuals, estates or trusts: Do not enter this code on Form IT-225. Instead, enter the subtraction modification on Form IT-201, line 28, or Form IT-203, line 27, or Form IT-205, line 67, as applicable. See the instructions for the return you are filing.

Partnership: Interest income on bonds or other obligations of the U.S. government is **not** taxed by New York. Dividends received from a regulated investment company (mutual fund) that invests in obligations of the U.S. government and meet the 50% asset requirement each quarter qualify for this subtraction. The portion of dividends that may be subtracted is based upon the portion of taxable income received by the mutual fund that is derived from federal obligations (section 612(c)(1)). **If** the partnership included income from these obligations in its federal ordinary income, **then** enter that income amount.

S-126 New York organized militia income

Enter income that you received (or an estate or trust received on behalf of a member) while serving in the New York State organized militia for performing active service within NYS due to either (1) state active duty orders issued in accordance with Military Law section 6.1, or (2) federal active duty orders, for service other than training, issued in accordance with Title 10 of the United States Code, that was included in your federal income. Do not include any income you received for regular duties in the organized militia (for example, pay received for the annual two-week training program). Members of the NYS organized militia include the New York Army National Guard, the New York Air National Guard, the New York Naval Militia, and the New York Guard.

S-127 Loss from the sale or disposition of property that would have been realized if a federal estate tax return had been required

Note: This subtraction cannot be made for property acquired from decedents who died on or after February 1, 2000.

If you acquired a decedent's property and, as valued by the executor, the estate was insufficient to require a federal estate tax return **and** a loss on the sale would have been realized if a federal estate tax return had been required, **then** enter the amount of the loss.

Estates and trusts: This subtraction may be made only to the extent that it relates to items included in the federal distributable net income of the estate or trust.

S-128 Native American income exclusion

If you are an enrolled member of a tribe or nation recognized by the United States or by New York State, and you are a Native American who works **and** lives on a reservation, then enter income included in your federal AGI and earned on that reservation.

S-129 Special accruals

If you have or had a change in resident status you may have to use special accrual rules to compute your tax. Income accrues to you as a taxpayer when the amount becomes fixed and determinable and you have an unrestricted right to receive it. An accrued expense is a cost that has been incurred but not yet paid. See the instructions for the return you are filing for more information on special accruals.

If you are subject to the special accrual rules, **then** enter your accrued item of income, gain, loss, or deduction. Also see A-115.

S-130 Volunteer firefighter or ambulance worker length of service award

If you are at least 59½ years old, **then** you may deduct up to the amount included in your federal gross income for any award paid from a length of service defined contribution plan or defined benefit plan as provided for in Articles 11-A, 11-AA, 11-AAA and 11-AAAA of the General Municipal Law, provided that the award is not distributed as a lump sum amount as defined in section 402(e)(4)(A) of the IRC and taxed under section 603 of the NYS tax law.

S-131 Incomplete gift non-grantor trust

If you are a beneficiary that received income from an incomplete gift non-grantor trust **and** the trust was terminated and all assets were distributed before June 1, 2014, **then** enter the income from the trust to the extent it was included in your federal income.

An *incomplete gift non-grantor trust* means a resident trust that does not qualify as a grantor trust under IRC sections 671 through 679 and the grantor's transfer of assets to the trust is treated as an incomplete gift under IRC section 2511 and its regulations.

S-132 Living organ donors

If during the tax year you were a living donor who donated one or more of your organs to another person for human organ transplantation, **then** enter unreimbursed expenses incurred for travel, lodging, and lost wages, up to a maximum of \$10,000. **You may claim this subtraction only once during your lifetime.**

Married taxpayers: If you both qualify, you and your spouse can each claim a subtraction up to \$10,000. However, you cannot claim any unused part of your spouse's subtraction.



Are you a Form IT-201 or Form IT-203 filer who files federal Schedule(s) C-EZ, C, E, or F, or are you filing Form IT-204 or Form IT-205?

If **No**, go to the instructions for line 18.

If **Yes**, see subtraction modifications below.

S-201 Small business modification

If you are a farm business or small business that is a sole proprietor, or a farm business that is a partnership (or an LLC treated as a partnership for federal income tax purposes) or a qualified joint venture, that:

- employs one or more persons during the tax year; **and**
- has net farm income or small business income of greater than zero but less than \$250,000;

then you may deduct an amount equal to three percent (3%) of the net items of income, gain, loss, and deduction attributable to a sole proprietorship or farm business included in your federal AGI (but not less than zero).

For more information, see TSB-M-14(5)I, *Small Business Subtraction Modification*.

S-202 Trade or business interest expense on loans used to buy federally tax-exempt obligations that are taxable to New York State

If you included interest income from bonds or other obligations that is federally tax exempt but taxable to NYS (as a New York addition), and the expense you incurred in buying the obligation is attributable to a trade or business you carried on, **then** enter that expense.

S-203 Trade or business expenses (other than interest expense) connected with federally tax-exempt income that is taxable to New York State

You may deduct expenses you incur to acquire or maintain income that is taxable to a trade or business. If you included income from bonds or other obligations that are federally tax exempt but taxable to NYS (as a New York addition) **and** the expense you incurred to either produce or collect that income or manage, conserve, or protect the assets that produce that income was not deducted for federal purposes and those expenses are attributable to a trade or business you carried on, **then** enter that expense.

S-204 Amortizable bond premiums on bonds that are owned by a trade or business and the interest on which is federally tax-exempt income but taxable to New York State

You may deduct expenses incurred when buying an obligation that generates investment income that is taxable to a trade or business.

- If you are including interest income that is federally tax exempt but taxable to New York State (as a New York addition); **and**
- those bonds were bought for more than their face value (i.e., at a premium); **and**
- you did not reduce federal income by deducting the amortization of that premium attributable to 2014; **and**
- those bonds were owned by a trade or business carried on by you in 2014 (as opposed to personal investments), **then** enter that amortization.

S-205 Wage and salary expenses allowed as federal credits but not as federal expenses

If you took a federal credit for which a deduction for wages and salary expenses is not allowed under IRC section 280C, **then** enter the wage payments not deductible for federal purposes.

S-206 Cost depletion

If you are making addition A-202 for any percentage depletion, **then** enter the cost depletion that IRC section 611 would allow on that property without any reference to either IRC section 613 or 613-A.

Estates and trusts: This subtraction may be made only to the extent that it relates to items included in the federal distributable net income of the estate or trust.

S-207 Special depreciation expenditures

You may carry over excess expenditures incurred in taxable years beginning before 1987 in connection with depreciable, tangible business property located in New York State to the following tax year or years, and deduct such expenditures in computing your New York income for that year or years, if the expenditures exceed your New York income for that year before the allowance of those expenditures. Complete Form IT-211, *Special Depreciation Schedule*, to compute the amount to enter. Submit Form IT-211 with your return.

S-208 Safe harbor leases

Enter any amount you included in federal income (except for mass transit vehicles) solely because you made the safe harbor election on your federal return for agreements entered into before January 1, 1984.

S-209 Safe harbor leases

Enter any amount that you could have excluded from federal income (except for mass transit vehicles) had you not made the safe harbor election on your federal return for agreements entered into before January 1, 1984.

S-210 New York depreciation allowed

If you claimed ACRS depreciation on your federal return for:

- property placed in service during tax years 1981 through 1984 (except IRC section 280F property); **or**
- property placed in service outside New York State during tax years 1985 through 1993 and fiscal tax years beginning in 1993 (except IRC section 280F property) and you

elect to continue using IRC section 167 depreciation (see TSB-M-99(1));

then enter the amount of your New York depreciation. Complete and submit Form IT-399, *New York State Depreciation Schedule*, with your return.

⚠ Partners, shareholders, and beneficiaries - Do not complete Form IT-399 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

S-211 ACRS (year of disposition adjustment)

If you disposed of property in 2014 that was depreciated for federal purposes using ACRS **and** your total federal ACRS deduction exceeds your New York depreciation deduction for that property, **then** complete Part 2 of Form IT-399, *New York State Depreciation Schedule*, to compute the amount to enter. See A-206. Submit Form IT-399 with your return.

⚠ Partners, shareholders, and beneficiaries - Do not complete Form IT-399 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

S-212 Sport utility vehicle expense deduction recapture

If you previously claimed an IRC section 179 deduction with respect to a sport utility vehicle that weighs more than 6,000 pounds; **and**

- you had to recapture any amount of that deduction in computing your federal income for the tax year; **and**
- you are not an eligible farmer as defined for the farmers' school tax credit;

then enter the recapture amount. (See A-208 for the definition of a sport utility vehicle.)

S-213 IRC section 168(k) property depreciation

With the exception of resurgence zone property and New York liberty zone property described in IRC section 1400L(b)(2), New York State does not follow the federal depreciation rules for IRC section 168(k) property placed in service inside or outside New York State on or after June 1, 2003.

If you claimed a depreciation deduction for such property; **and** no exception for resurgence zone or New York liberty zone property applies, **then** complete Part 1 of Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*, to compute the amount of New York depreciation to enter. Submit Form IT-398 with your return.

⚠ Partners, shareholders, and beneficiaries - Do not complete Form IT-398 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

S-214 IRC section 168(k) property (year of disposition adjustment)

If you disposed of IRC section 168(k) property placed in service inside or outside New York State on or after June 1, 2003 (except for resurgence zone property, and New York liberty zone property described in IRC section 1400L(b)(2)), **and** your total federal depreciation deduction was more than the New York depreciation deduction for that property, **then** complete Part 2 of Form IT-398, *New York State Depreciation Schedule for IRC Section 168(k) Property*, to compute the amount of the disposition adjustment to enter. Submit Form IT-398 with your return.

(continued)

⚠ Partners, shareholders, and beneficiaries - Do not complete Form IT-398 to determine the amount to enter. The amount to enter should be provided to you by the entity of which you are a partner, shareholder, or beneficiary.

S-215 Refund of QEZE credit for real property taxes

Enter any QEZE credit for real property taxes included in your federal AGI. See TSB-M-10(9)C, (15)I, *New York State Tax Treatment of Refunds of the Qualified Empire Zone Enterprise (QEZE) Credit for Real Property Taxes*.

S-216 New York State Innovation Hot Spot Program

Complete Form IT-223, *Innovation Hot Spot Deduction*, and enter any income or gain included in federal income that is attributable to the operations of a qualified entity at its location in, or as part of, a New York State innovation hot spot. Submit Form IT-223 with your return.



Subtractions S-301 and S-302 apply to S corporation shareholders only.

S-301 S corporation shareholders

If you reported a federal gain or loss because of the disposition of stock or indebtedness of an S corporation **and** that S corporation was a New York C corporation for any tax year beginning after December 31, 1980 (in the case of a corporation taxable under Article 9-A, general business corporation tax), or

December 31, 1996 (in the case of a corporation taxable under Article 32, banking corporation franchise tax), **then** enter the reduction in basis of the stock or indebtedness that is due to the application of IRC section 1376(b) (as in effect for tax years beginning before January 1, 1983) and 1367(a)(2)(B) and (C) for each tax year that the New York election was **not** in effect.

If, with respect to stock described above, you made any New York additions to federal AGI required under A-303, **then** enter the total of those additions. See New York Tax Law section 612(b)(20).

S-302 S corporation shareholders – pass-through income

If you included in your federal AGI any S corporation pass-through income pursuant to IRC section 1366 and the corporation is a New York C corporation, **then** enter the pass-through income.

ES-901 Beneficiary's share of fiduciary adjustment

If your share of the fiduciary adjustment is a net subtraction, **then** enter this amount and the modification number on Form IT-225, line 14. Also see EA-901.

As a beneficiary you may have income from an estate or trust. Any New York adjustments that apply to that income, as well as any additions to or subtractions from federal itemized deductions, will be shown in your share of a single fiduciary adjustment.

The charts below are a quick reference guide showing (with an **X** in the column) which form each modification applies to and if the modification must be listed on Form IT-225 or directly on a line of your return.

Addition modifications

| Modification number | Description | Returns | | | |
|---------------------|---|---------|---------|--------|---------|
| | | IT-201 | IT-203 | IT-204 | IT-205 |
| A-101 | NYC flexible benefits program (IRC 125) | X | X | | X |
| A-102 | Income from certain obligations of U.S. government agencies or instrumentalities | X | X | X | X |
| A-103 | New York's 529 college savings program distributions | Line 22 | X | X | X |
| A-104 | 414(h) retirement contributions | Line 21 | Line 21 | | X |
| A-105 | Special additional mortgage recording tax deduction | X | X | X | |
| A-106 | Special additional mortgage recording tax basis adjustment | X | X | X | |
| A-107 | Sales or dispositions of assets acquired from decedents | X | X | | X |
| A-108 | Disposition of solar and wind energy systems | X | X | | |
| A-109 | New business investment; deferral recognition | X | X | X | X |
| A-110 | Qualified emerging technology investments (QETI) | X | X | X | X |
| A-111 | Interest expense on loans used to buy obligations exempt from NYS tax, amortized bond premium on bonds that are exempt from NYS tax and other expenses relating to the production of income exempt from NYS tax | X | X | X | X |
| A-112 | Health insurance and the welfare benefit fund surcharge | X | X | | X |
| A-113 | Interest income on state and local bonds and obligations | Line 20 | Line 20 | X | Line 63 |
| A-114 | Form 4970 accumulation distribution of trusts | X | X | X | X |

Addition modifications *(continued)*

| Modification number | Description | Returns | | | |
|---------------------|---|---------|--------|--------|---------|
| | | IT-201 | IT-203 | IT-204 | IT-205 |
| A-115 | Special accruals | X | X | | X |
| A-117 | Incomplete gift non-grantor trust | X | X | X | X |
| A-201 | Personal income taxes and unincorporated business taxes deducted in determining federal AGI | X | X | X | Line 64 |
| A-202 | Percentage depletion | X | X | X | X |
| A-203 | Safe harbor leases (IRC section 168(f)(8)) | X | X | X | X |
| A-204 | Safe harbor leases | X | X | X | X |
| A-205 | Accelerated cost recovery system (ACRS) deduction | X | X | X | X |
| A-206 | ACRS property; year of disposition adjustment | X | X | X | X |
| A-207 | Farmers' school tax credit | X | X | | X |
| A-208 | Sport utility vehicle expense deduction | X | X | X | X |
| A-209 | IRC section 168(k) property depreciation | X | X | X | X |
| A-210 | Special depreciation | X | X | X | X |
| A-211 | Royalty and interest payments made to a related member or members | X | X | X | X |
| A-212 | Environmental remediation insurance premiums | X | X | X | X |
| A-213 | Domestic production activities deduction | X | X | | X |
| A-214 | Metropolitan commuter transportation mobility tax (MCTMT) | X | X | X | X |
| A-215 | NOL deduction limitation | X | X | | X |
| A-216 | Manufacturer's real property tax | X | X | X | X |
| A-217 | START-UP NY excise tax on telecommunication services | X | X | X | X |
| A-301 | S corporation shareholders; reduction for taxes | X | X | | X |
| A-302 | S corporation shareholders; pass-through loss or deduction items | X | X | | X |
| A-303 | S corporation shareholders | X | X | | X |
| A-304 | S corporation shareholders; disposition of stock or indebtedness with increased basis | X | X | | X |
| EA-901 | Beneficiary's share of fiduciary adjustment | X | X | X | X |

Subtraction modifications

| Modification number | Description | Returns | | | |
|---------------------|---|---------|---------|--------|--------|
| | | IT-201 | IT-203 | IT-204 | IT-205 |
| S-101 | START-UP NY wages | X | X | | X |
| S-102 | Build America Bond (BAB) Interest | X | X | X | X |
| S-103 | New York's 529 college savings program deduction | Line 30 | X | X | X |
| S-104 | New York's 529 college savings program distributions | Line 30 | X | X | X |
| S-105 | Long-term residential care deduction | X | X | | |
| S-106 | Pension and annuity income exclusion | Line 29 | Line 28 | | X |
| S-107 | Pensions of New York State and local governments and federal government | Line 26 | Line 25 | | X |
| S-108 | Taxable refunds, credits, or offsets of state and local income taxes | Line 25 | Line 24 | X | X |

Subtraction modifications *(continued)*

| Modification number | Description | Returns | | | |
|---------------------|---|---------|---------|--------|---------|
| | | IT-201 | IT-203 | IT-204 | IT-205 |
| S-109 | Accelerated death benefits received that were includable in federal AGI | X | X | | X |
| S-110 | Contributions for Executive Mansion, natural and historical resources, not deducted elsewhere | X | X | X | X |
| S-111 | Distributions made to a victim of Nazi persecution | X | X | X | X |
| S-112 | Items of income related to assets stolen from or otherwise lost to a victim of Nazi persecution | X | X | X | X |
| S-113 | Professional service corporation shareholders | X | X | | X |
| S-114 | Gain to be subtracted from the sale of a new business investment reported on your federal income tax return | X | X | X | X |
| S-115 | Qualified emerging technology investments (QETI) | X | X | X | X |
| S-116 | Sales or dispositions of assets acquired before 1960 with greater state than federal bases | X | X | X | X |
| S-117 | Income earned before 1960 and previously reported to New York State | X | X | X | X |
| S-118 | Military combat pay | X | X | | X |
| S-119 | Military pay | | X | | X |
| S-120 | New York Higher Education Loan Program (HELP) | X | X | | |
| S-121 | Certain investment income from U.S. government agencies | X | X | X | X |
| S-122 | Certain railroad retirement income and railroad unemployment insurance benefits | X | X | | X |
| S-123 | Certain investment income exempted by other New York State laws | X | X | X | X |
| S-124 | Disability income exclusion | X | X | | |
| S-125 | Interest income on U.S. government bonds | Line 28 | Line 27 | X | Line 67 |
| S-126 | New York State organized militia income | X | X | | X |
| S-127 | Loss from the sale or disposition of property that would have been realized if a federal estate tax return had been required | X | X | X | X |
| S-128 | Native American income exclusion | X | X | | |
| S-129 | Special accruals | X | X | | X |
| S-130 | Volunteer firefighter or ambulance worker length of service award | X | X | | |
| S-131 | Incomplete gift non-grantor trust | X | X | X | X |
| S-132 | Living organ donors | X | | | |
| S-201 | Small business modification | X | X | X | X |
| S-202 | Trade or business interest expense on loans used to buy federally tax-exempt obligations that are taxable to New York State | X | X | X | X |
| S-203 | Trade or business expenses (other than interest expense) connected with federally tax-exempt income that is taxable to New York State | X | X | X | X |
| S-204 | Amortizable bond premiums on bonds that are owned by a trade or business and the interest on which is federally tax-exempt income but taxable to New York State | X | X | X | X |
| S-205 | Wage and salary expenses allowed as federal credits but not as federal expenses | X | X | X | X |
| S-206 | Cost depletion | X | X | X | X |

Subtraction modifications *(continued)*

| Modification number | Description | Returns | | | |
|---------------------|--|---------|--------|--------|--------|
| | | IT-201 | IT-203 | IT-204 | IT-205 |
| S-207 | Special depreciation expenditures | X | X | X | X |
| S-208 | Safe harbor leases | X | X | X | X |
| S-209 | Safe harbor leases | X | X | X | X |
| S-210 | New York depreciation allowed | X | X | X | X |
| S-211 | ACRS (year of disposition adjustment) | X | X | X | X |
| S-212 | Sport utility vehicle expense deduction recapture | X | X | X | X |
| S-213 | IRC section 168(k) property depreciation | X | X | X | X |
| S-214 | IRC section 168(k) property (year of disposition adjustment) | X | X | X | X |
| S-215 | Refund of QEZE credit for real property taxes | X | X | X | X |
| S-216 | New York State Innovation Hot Spot Program | X | X | X | X |
| S-301 | S corporation shareholders | X | X | | X |
| S-302 | S corporation shareholders - pass-through income | X | X | | X |
| ES-901 | Beneficiary's share of fiduciary adjustment | X | X | X | X |