

# Instructions for Form NYC-204

NEW YORK CITY DEPARTMENT OF FINANCE



## Partnership Return

2008

### Highlights

#### *of Recent Tax Law Changes for Partnerships (including Limited Liability Companies)*

- For purposes of the New York City Unincorporated Business Tax, General Corporation Tax and Banking Corporation Tax, the City has “decoupled” from the Federal bonus depreciation allowed under the Economic Stimulus Act of 2008 except with respect to the depreciation deductions allowed with respect to “qualified New York liberty zone property” and “qualified property” placed in service in the Resurgence Zone (generally the area in the borough of Manhattan south of Houston Street and north of Canal Street.) For City tax purposes, depreciation deductions for all other “qualified property” must be calculated as if the property was placed in service prior to September 11, 2001. Local Law 17 of 2002. See Form NYC-399Z for more information.
- For tax years beginning on or after January 1, 2007, the maximum amount that may be deducted for compensation for personal services rendered by partners has been raised to \$10,000.
- This year’s form has been modified to make it easier for taxpayers to request the consent of the Department of Finance to the use an alternative allocation method. Taxpayers simply check the appropriate box on page 1, complete Schedule E, Part 3, pay the tax based on that Schedule, and attach a rider, as further explained in the instructions to Schedule E.
- For tax years beginning on or after January 1, 2006, qualifying taxpayers that relocate to an industrial business zone where they engage in industrial and manufacturing activities may be eligible for a one-time refundable credit equal to \$1,000 for each full-time employee at eligible premises in the IBZ, with certain limits. Use Form NYC-114.6 to claim the credit against the Unincorporated Business Tax.
- For films and shows completed on or after January 1, 2005, eligible taxpayers are allowed a Made in NYC Film Production Credit equal to 5% of the qualified production costs paid or incurred in the production of qualified films and television shows. Use Form NYC-114.9 to claim the credit against the Unincorporated Business Tax.
- For tax years beginning on or after January 1, 2005, taxpayers must allocate unincorporated business taxable income using formula allocation. However, eligible taxpayers that have used books and records allocation for the prior two tax years may elect to continue doing so for tax years beginning on or after January 1, 2005 and before January 1, 2012. See section 11-508(b) and (c) of the Administrative Code as amended by Ch. 633 of the Laws of 2005. For tax years beginning on or after January 1, 2005, rented tangible personal property will be included in the property allocation factor. See Administrative Code section 11-508(c)(1) as amended by Chapter 633 of the Laws of 2005. For tax years beginning on and after July 1, 2005, the source of income from services will be determined by the place of performance instead of the office out of which the services were performed using a three-year phase-in schedule. Administrative Code section 11-508(c)(3) as amended by Chapter 633 of the Laws of 2005. See instructions for Schedule E for more information.
- For tax years beginning on or after January 1, 2004, in determining unincorporated business entire net income of taxpayers, other than eligible farmers (for purposes of the New York State farmers’ school tax credit), the amount allowed as a deduction with respect to a sport utility vehicle that is not a passenger automobile for purposes of section 280F (d)(5) of the Internal Revenue Code is limited to the amount allowed under that section 280F as if the vehicle were a passenger automobile as defined in that section. With respect to SUV’s placed into service after December 31, 2007 and before January 1, 2009, Federal bonus first year depreciation for passenger automobiles allowed under the Economic Stimulus Act of 2008 is disallowed for SUVs except for SUVs that are “Qualified Resurgence Zone property.” See Administrative Code sections 11-506(g) and 11-507(21), (23) and (24), the instructions to Form NYC-399Z and Finance Memorandum 08-2, “Application of IRC §280F Limits to Sport Utility Vehicles”.
- The Relocation Employment Assistance Program (REAP) has been reinstated and a program granting similar benefits to businesses that relocate to lower Manhattan (LMREAP) has been enacted. Both the reinstatement of the REAP program and the enactment of the LMREAP program are effective as of July 1, 2003. See Administrative Code sections 11-503(i) and (l).
- Related members income and expense modifications—For tax years beginning on or after January 1, 2003, taxpayers may be required to add back to unincorporated business entire net income (“ENI”) certain payments for the use of intangible property, such as trademarks or patents, made during the tax year to related member(s) to the extent such payments were deducted in computing federal taxable income. Where the related member is a New York City taxpayer, the related member(s) must subtract from ENI those payments received during the tax year to the extent the payments were included in federal taxable income and were required to be added back to the ENI of a related taxpayer. See Chapter 686 of the Laws of 2003, Part M and Local Law 53 of 2003.
- Effective for tax periods beginning on and after August 1, 2002, entities that receive eighty percent or more of their gross receipts from charges for the provision of mobile telecommunications services to customers will be taxed as if they were regulated utilities for purposes of the New York City Utility Tax, General Corporation Tax, Banking Corporation Tax and Unincorporated Business Tax. In addition, if any such entity is a partnership, its partners will not be subject to the New York City Utility Tax on their distributive share of the income of any such entity. Finally, for tax years beginning on and after August 1, 2002, partners in any partnership subject to the Utility Tax as a “utility” as defined in Ad. Code section 11-1101(6) will not be subject to Unincorporated Business Tax on their distributive share of the income of any such entity. Chapter 93, Part C, of the Laws of 2002.

**GENERAL INFORMATION****PARTNERSHIP DEFINED**

For purposes of this form, "partnerships" include syndicates, groups, pools, joint ventures and limited liability companies and other unincorporated or incorporated organizations classified as partnerships for federal income tax purposes, through or by means of which any business, profession, financial operation or venture is carried on. An estate or trust is not a partnership.

**WHO MUST FILE**

1. Any partnership that carries on or liquidates any trade, business, profession or occupation wholly or partly within New York City and has a total gross income from all business regardless of where carried on of **more than \$25,000** (prior to any deduction for cost of goods sold or services performed) must file an Unincorporated Business Tax Return on Form NYC-204.
2. In addition, every partnership that has unincorporated business gross income of \$25,000 or less, but has *unincorporated business taxable income of more than \$15,000* must file a return for each taxable year in which it carries on business in the City to any extent. **Unincorporated business taxable income** is the excess of unincorporated business gross income over the aggregate of unincorporated business deductions, allocated to New York City, less the allowance for partners' services and unincorporated business exemptions.

Taxpayers that are required to file an Unincorporated Business Tax Return but have no tax liability may be eligible to file a Form NYC-204 EZ. To determine whether you may use Form NYC-204 EZ refer to that form. The Form NYC-204 EZ may also be used by a partnership that is not required to file but wishes to disclaim any liability for tax because it is engaged solely in activities that are exempt from the tax.

**WHO IS SUBJECT TO THE TAX**

- 1) The Unincorporated Business Tax is imposed on any individual or unincorporated entity (including a partnership, fiduciary or corporation in liquidation) engaged in any trade, business, profession, or occupation wholly or partly carried on within New York City.
- 2) Income received from the practice of law, medicine, dentistry, architecture, or any other profession is subject to the unincorporated business tax.
- 3) S corporations are not subject to the Unincorporated Business Tax. S Corporations are subject to the General Corporation Tax.
- 4) **The Unincorporated Business Tax does not apply to:**
  - a) any entity subject to the tax imposed by Title 11, Chapter 6 (General Corporation Tax) of the NYC Administrative Code. For taxable years beginning in 1996 and thereafter, unincorporated associations and publicly-traded partnerships taxable as corporations for

federal income tax purposes under IRC §7701(a) (3) and §7704 are subject to the General Corporation Tax and not the Unincorporated Business Tax. **However, unincorporated entities that were subject to the Unincorporated Business Tax for tax years beginning in 1995 that elected to continue to be subject to the Unincorporated Business Tax for years after 1995 on a timely filed Unincorporated Business Tax return for tax year beginning in 1996 continue to be subject to the Unincorporated Business Tax.**

- b) any entity subject to the tax imposed by Title 11, Chapter 11 (Utility Tax) of the NYC Administrative Code (except that vendors of utility services are subject to the unincorporated business tax on that percentage of their entire net income allocable to the City which their non-utility receipts bear to their total receipts);
- c) any entity carrying on an insurance business as a member of the New York Insurance Exchange (authorized in Section 6201 of the Insurance Law); or
- d) Real Estate Mortgage Investment Conduit (REMICs). Holders of interests in a REMIC remain taxable on such interests or on the income from such interests.
- e) Wireless Telecommunications Service Providers

Effective for tax periods beginning on and after August 1, 2002, entities that receive eighty percent or more of their gross receipts from charges for providing mobile telecommunications services to customers will be taxed as if they were regulated utilities for purposes of the New York City Utility Tax and Unincorporated Business Tax.

Thus, such entities will be subject to only the New York City Utility Tax. The amount of gross income subject to tax has been amended to conform to the Federal Mobile Telecommunications Sourcing Act of 2000. In addition, for tax years beginning on and after August 1, 2002, partners in any partnership subject to the Utility Tax as a "utility" as defined in Ad. Code section 11-1101(6) will not be subject to Unincorporated Business Tax on their distributive share of the income of any such entity.

- 5) **Full Exemption for Investment Activities:** A partnership, except a dealer as defined in Admin. Code §11-501(I), will not be deemed engaged in an unincorporated business solely by reason of the conduct of the following activities for its own account: the purchasing, holding or selling of property (defined below), engaging in transactions in positions in property, the acquisition, holding or dis-

position, other than in the ordinary course of business, of interests in unincorporated entities also eligible for this exemption, and any other activity not constituting an unincorporated business subject to the Unincorporated Business Tax.

**Property Defined.** Property for this purpose includes real and personal property, including property qualifying as investment capital (see instructions for Schedule D of this form), and other stocks and securities, notional principal contracts, derivative financial instruments and other positions in property but excluding property and positions in property held by a dealer, and excluding debt instruments acquired in the ordinary course of a trade or business and certain other property. See Admin. Code §11-502(c)(i)(A).

Notwithstanding anything to the contrary, the receipt of \$25,000 or less of gross receipts during the taxable year (determined without regard to deductions) from an unincorporated business will not disqualify the taxpayer for this exemption.

**Partial Exemption for Investment Activities:** (Admin Code §11-502(c)(4)) For taxable years beginning after 1995, if a taxpayer is an unincorporated entity (not an individual) and is **primarily engaged in**

1. the activities described above under "Full Exemption for Investment Activities" or
2. the ownership **as an investor** of interests in one or more other unincorporated entities engaged in an unincorporated business in the City.

The taxpayer's own activities described at (1) and the activities of any other unincorporated entity primarily engaged in the activities described at (1) and (2) in which the taxpayer holds an interest will not be considered an unincorporated business carried on by the taxpayer and the income from those activities will not be subject to the tax.

A taxpayer will be considered to be **primarily engaged** in the activities described at (1) and (2) if at least 90 percent of the average monthly gross value of its total assets consists of:

- a. property as defined above,
- b. interests in unincorporated entities not engaged in any unincorporated business in the City, and
- c. interests held **as an investor** in entities engaged in an unincorporated business in the City.

For this purpose, real property and marketable securities are valued at their fair market value and all other assets are valued according to the books and records of the taxpayer in accordance with generally accepted accounting principles (GAAP).

**Investor Defined:** For this purpose, a taxpayer will be considered to hold an interest in another entity as an investor if either :

- (i) the entity would qualify as primarily engaged in the activities described at (1) and (2) above and the taxpayer's share of each item of the entity's income, gain, deduction, credit or loss is not materially different from the taxpayer's share of any other such item, or
- (ii) the taxpayer is neither a general partner nor managing or participating in the day-to-day business of the other entity. See Admin. Code §11-502 (c) (1) (B).

Use the worksheet provided at the end of these instructions to determine whether you are eligible for the partial exemption. The partial exemption is illustrated by the following examples:

#### Example 1:

In 1996, Partnership A is engaged directly in the purchase and sale of stocks and securities for its own account in the City. Partnership A also is a limited partner in Partnership B, which is engaged in the purchase and sale of securities for its own account in the City. Partnership A also is a non-managing member of Limited Liability Company C, which is a securities dealer in the City. LLC C is subject to tax on all of its income. Partnership B is wholly exempt from tax.

Partnership A is not eligible for the full investment exemption. However, Partnership A qualifies as primarily engaged in activities described at (1) and (2). Therefore, A is not taxable on its own self-trading activity nor on its share of B's income from self-trading. A is taxable on its share of C's income, gains and losses, including any income, gains and losses from C's own self-trading activity. Partnership A is not treated as a dealer solely by reason of its membership in LLC C.

#### Example 2:

The facts are the same in example 1 except that C is also a limited partner in Partnership D, which is engaged solely in the purchase and sale of securities for its own account in the City. LLC C's interest in Partnership D represents less than 90 percent of C's gross assets. Partnership D is exempt from tax because it is solely trading for its own account. C is taxable on its share of D's self-trading income because C does not qualify as primarily engaged in the activities described at (1) and (2). A is taxable on its share of C's income including C's share of D's self-trading income.

#### Example 3:

The facts are the same as in example 2 except that C's interest in Partnership D represents 95 percent of C's gross assets. C qualifies as primarily engaged in the activities described at (1) and (2). Therefore C is not taxable on its share of D's self-trading income. A is taxable on its share of C's income other than C's share of D's self-trading income.

- 6) A partnership that is an owner, lessee or fiduciary will not be deemed engaged in an unincorporated business solely by reason of the holding, leasing or managing of real prop-

erty. For taxable years beginning on or after July 1, 1994, if an individual or unincorporated entity is carrying on an unincorporated business in whole or in part in the City, and is also holding, leasing or managing real property as an owner, lessee or fiduciary, the holding, leasing or managing of the property will not be considered an unincorporated business to the extent that the real property is held for the purposes of producing rental income or gain on the disposition of the real property, **provided, however, this partial exemption for rental real estate is not available to a dealer holding real property primarily for sale to customers in the ordinary course of the dealer's trade or business.** The operation by any taxpayer, otherwise eligible for the partial exemption, of a garage or other business at the property solely for the benefit of tenants in the property that is not open or available to the general public will be considered to be incidental to the holding, leasing or managing of the property and will not be considered an unincorporated business. However, if such a taxpayer operates a garage or other business at the property that also is open or available to the general public, that garage or other business will be considered a taxable unincorporated business, provided, however, for taxable years beginning after 1995, if a taxpayer operates a garage that is open to building tenants and the public, the operation of that garage will not be considered a taxable unincorporated business but only to the extent of income from parking services provided at that garage to building tenants on a monthly or longer-term basis and **only if the information required to be filed with this return specified below is provided with respect to that garage.** All other income from the operation of that garage will be subject to the tax.

The taxpayer must submit with this return a statement containing the following for each garage or other similar facility that is operated for the benefit of building tenants and that is open to the general public:

1. the parking facility name;
2. the parking facility address;
3. the license number of the facility if applicable;
4. the licensed capacity of the facility if licensed;
5. the total number of transactions and amount of receipts for the taxable year from all sales of parking services including prepaid parking services, all parking services provided without charge and all parking services paid for by a person other than the person whose vehicle is parked, garaged or stored, such as a merchant validation of a parking ticket);
6. the total number of transactions and amount of receipts from sales of monthly or longer term parking services including a designation of each transac-

tion and receipt as exempt from the 8 percent Manhattan parking tax, where applicable; and

7. the total number of transactions and amount of receipts from sales of monthly or longer term parking services provided to building tenants.

**Failure to submit the above information with this return will result in all of the income of that garage being subject to tax.** See Section 11-502 (d) of the NYC Administrative Code.

**NOTE: If you engage exclusively in an exempt unincorporated business activity but file for information purposes, use Form NYC-204EZ.**

#### OTHER FORMS YOU MAY BE REQUIRED TO FILE

FORM NYC-5UB - Partnership Declaration of Estimated Unincorporated Business Tax must be filed by every partnership carrying on an unincorporated business or profession in New York City and whose estimated tax can reasonably be expected to exceed \$1,800 for the tax year immediately following the tax year covered by this return.

The declaration must cover a full calendar or fiscal year and is due on the 15th day of the fourth month of the taxable year.

*For further information about estimated tax payments and due dates see Form NYC-5UB.*

FORM NYC-EXT - Application for Automatic 6-month Extension of Time to File Business Income Tax Return. File Form NYC-EXT on or before the due date of the return.

FORM NYC-113 - Unincorporated Business Tax Claim for Credit or Refund is used to claim a credit or refund of Unincorporated Business Tax.

FORM NYC-115 - Unincorporated Business Tax Report of Change in Taxable Income made by the Internal Revenue Service and/or New York State Department of Taxation and Finance must be used for reporting adjustments in taxable income resulting from an Internal Revenue Service audit of your federal income tax return and/or a New York State Department of Taxation and Finance audit of your State income tax return.

FORM NYC-221 - Underpayment of Estimated Unincorporated Business Tax will help you determine if you have underpaid an estimated tax installment and, if so, compute the penalty due.

FORM NYC-399 - Schedule of New York City Depreciation Adjustments must be used to compute the allowable New York City depreciation deduction if you claim the federal ACRS or MACRS depreciation deduction for certain property placed in service after December 31, 1980. See the instructions for Form NYC-399 and for line 14d of Schedule B.

FORM NYC-399Z - Depreciation Adjustments for Certain Post 9/10/01 Property may have to be filed by taxpayers claiming depreciation deductions for certain sport utility vehicles or "qualified property," other than "qualified property" placed in service in the Resurgence Zone, "qualified New

York Liberty Zone property" and "qualified New York Liberty Zone leasehold improvements" placed in service after September 10, 2001 for federal or New York State tax purposes. See "Highlights of Recent Tax Law Changes", Finance Memorandum 08-2, "Application of IRC§280F Limits to Sport Utility Vehicles" and instructions to NYC-399Z.

FORM NYC-CR-A - Commercial Rent Tax Annual Return must be filed by every tenant that rents premises for business purposes in Manhattan south of the center line of 96th Street **and** whose annual or annualized rent for any premises is at least \$200,000. (Effective June 1, 2001).

FORM NYC-RPT - Real Property Transfer Tax Return must be filed when the partnership acquires or disposes of an interest in real property located in New York City, including a leasehold interest; when there is a partial or complete liquidation of the partnership that owns or leases real property; or when there is transfer of a controlling economic interest in a partnership that owns or leases real property.

#### WHEN TO FILE

Form NYC-204 is due on or before April 15, 2009, or, for fiscal year taxpayers, on or before the 15th day of the fourth month following the close of the taxable year.

If a partnership is terminated and completely liquidated during its normal taxable year, resulting in an accounting period of less than 12 months for federal income tax purposes, the due date is the 15th day of the fourth month following the end of the accounting period.

An automatic extension of six months for filing this return will be allowed if, within the time prescribed for filing, the taxpayer files with the Department of Finance Form NYC-EXT and pays the amount properly estimated as its tax. See the instructions for Form NYC-EXT for information regarding what constitutes a properly estimated tax for this purpose. Failure to pay a properly estimated amount will result in a denial of the extension.

No additional extension for filing a return will be granted beyond the six-month extension, unless the taxpayer is outside the United States. (Taxpayers outside the United States should refer to 19 RCNY Section 28-18(c)(3) for additional extensions.)

#### WHERE TO FILE

##### Returns with remittances:

NYC Department of Finance  
P.O. Box 5040  
Kingston, NY 12402-5040

##### Returns claiming refunds:

NYC Department of Finance  
P.O. Box 5050  
Kingston, NY 12402-5050

##### All others:

NYC Department of Finance  
P.O. Box 5060  
Kingston, NY 12402-5060

**NOTE:** If a Declaration of Estimated Unincorporated Business Tax (Form NYC-5UB) is being filed, DO NOT mail it to any address listed here. It should be mailed to the address indicated on Form NYC-5UB.

#### ACCESSING NYC TAX FORMS

By Computer - Download forms from the Finance website at [nyc.gov/finance](http://nyc.gov/finance)

By Phone - Order forms through Finance's form ordering service, by calling 212-504-4035, and receive forms in the mail.

#### BUSINESS CARRIED ON BOTH INSIDE AND OUTSIDE NEW YORK CITY

If business is carried on both inside and outside New York City, a fair and equitable portion of the business income shall be allocated to New York City.

If the unincorporated business does not carry on business both inside and outside of New York City, all of the business income shall be allocated to New York City. (*Refer to the instructions for Schedule E, Business Allocation Schedule.*)

#### BUSINESS TERMINATED DURING TAXABLE YEAR

If the partnership was terminated during 2008, attach a statement to Form NYC-204 showing disposition of the business property and how it was reported on the return. Check the box on page 1 of this return.

#### USE OF FEDERAL FIGURES

Except where otherwise indicated, items of business income, gain, loss or deduction are to be entered on the return as reportable for federal tax purposes. All items reported on Form NYC-204 derived from federal partnership returns are, however, subject to verification, audit and revision by the Department of Finance. Report the character of a partner's share of income, gains, losses and deductions from a partnership as if it were realized directly by the partner regardless of how the partner acquired its partnership interest and regardless of whether the partner's share of such items is disproportionate to its interest in capital. The preceding sentence does not apply to guaranteed payments or other payments to the partner treated as made to one who is not a partner for federal income tax purposes, and does not affect the treatment of any item as being derived from an unincorporated business carried on in the City by the partner.

#### FEDERAL OR NEW YORK STATE CHANGES

If, on audit of the partnership return, the federal or New York State tax authorities change any item of income or deduction reported to the Internal Revenue Service or the New York State Department of Taxation and Finance, or an item of income or deduction is changed as a result of a renegotiation of a contract with the United States or New York State, or the partnership executes a consent and waiver of the restrictions to assessment under IRC section 6213(d) or NYS Tax Law section 681(f), the partnership must report the change to the Department of Finance within 90 days. Form NYC-115 should be used for this purpose and may be obtained from the sources listed in these instructions.

Form NYC-115 must be filed separately and should not be attached to any return.

If an amended federal or New York State return is filed reflecting a change in distributable income or in the partner's distributive shares, an amended Unincorporated Business Tax return must be filed within 90 days. Use Form NYC-204 to file an amended return and check the box on page 1.

#### ACCOUNTING PERIODS AND METHODS

The accounting period for which Form NYC-204 is filed and the method of accounting used are the same as for federal income tax purposes. If a partnership's taxable year or method of accounting is changed for federal income tax purposes, the change must also be made for purposes of the Unincorporated Business Tax.

#### PENALTIES

The law imposes penalties for failure to file a return or to pay any tax when due, or for making, rendering, signing, certifying or filing a false or fraudulent return, or for making a false certification. The mere fact that the figures reported on Form NYC-204 are taken from the federal return will not relieve the partnership from the imposition of penalties because of negligence or for filing a false or fraudulent return.

#### TAX PREPARERS

Anyone who prepares a return for a fee must sign the return as a paid preparer and enter his or her Social Security Number or PTIN. Include the company or corporation name and Employer Identification Number, if applicable.

**Preparer Authorization:** If you want to allow the Department of Finance to discuss your return with the paid preparer who signed it, you must check the "yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the "Preparer's Use Only" section of your return. It does not apply to the firm, if any, shown in that section. By checking the "Yes" box, you are authorizing the Department of Finance to call the preparer to answer any questions that may arise during the processing of your return. Also, you are authorizing the preparer to:

- Give the Department any information missing from your return,
- Call the Department for information about the processing of your return or the status of your refund or payment(s), and
- Respond to certain notices that you have shared with the preparer about math errors, offsets, and return preparation. The notices **will not** be sent to the preparer.

**You are not authorizing** the preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the Department. The authorization cannot be revoked, however, the authorization will automatically expire no later than the due date (without regard to any extensions) for filing next year's return. **Failure to check the box will be deemed a denial of authority.**

**SPECIFIC INSTRUCTIONS**

If this is an amended return, check the box on page 1.

Check the box marked "yes" on page 1 of this form if, on your federal return: (i) you reported bonus depreciation and/or a first year expense deduction under IRC §179 for "qualified New York Liberty Zone property," "qualified New York Liberty Zone leasehold improvements," or "qualified Resurgence Zone property," regardless of whether you are required to file form NYC-399Z, (ii) you claimed a federal targeted jobs credit for Liberty Zone business employees, or (iii) you replaced property involuntarily converted as a result of the attacks on the World Trade Center during the five (5) year extended replacement period. You must attach Federal forms 4562, 4684, 4797 and 8884 to this return. See instructions for Schedule B, lines 14d, 19 and 20 for more information.

**SCHEDULE A**  
**Computation of Tax****LINE 1 - BUSINESS INCOME**

Enter on line 1, the total from page 2, Schedule B, line 32.

**LINE 2 - BUSINESS ALLOCATION PERCENTAGE**

Taxpayers not allocating income should enter 100% on line 2, then complete lines 4 and 5.

For tax years beginning on or after January 1, 2005, except as provided in the following sentence, taxpayers must allocate business income using the formula method. However, taxpayers who used the books and records method for the two immediately preceding tax years, which must have consisted of 12 months each, may make a one-time election to continue using the books and records allocation method for each tax year beginning on and after January 1, 2005 and before January 1, 2012. See instructions for Schedule E for more information.

Taxpayers allocating income for Unincorporated Business Tax purposes and using the statutory formula basis (Schedule E) should determine the business allocation percentage to be used here by completing Schedule E, Parts 1, 2 and 3. Transfer the percentage from Schedule E, Part 3, line 5 to line 2 of this schedule rounded to the nearest one hundredth of a percentage point and check the "formula" box.

Eligible taxpayers electing to allocate income on the basis of business books and records should mark "yes" on the box on the top of page 1, check the second box on line 2, omit the percentage and disregard lines 3a and 5. Enter on line 10 the sum of lines 1, 3b and 9. (Refer to the instructions for Schedule E.)

Taxpayers allocating income on the basis of an alternative method of allocation must complete Schedule E, Parts 1, 2 and 3 and attach an explanation of the alternative method. (Refer to the instructions for Schedule E, Alternative Allocation Method.)

**LINE 3a - INCOME, GAIN OR LOSS FROM NYC REAL PROPERTY**

The business allocation percentage is not applied to income from rentals of New York City real property or gains or losses from the sale of New York City real property. Enter here the modified gain (or loss) from the sale or exchange and net income from rental of real property located in New York City included on line 1 of Schedule A. This is the gain (or loss) and net rental income included on line 12 of Schedule B, as adjusted for the portion of the New York City modifications (Schedule B, part 2) applicable to such items. If New York City modifications are not applicable, enter on line 3a the full amount of gain (or loss) and net rental income included on line 12 of Schedule B. (Refer to "Who is Subject to the Tax," paragraph 6.)

**LINE 3b**

Taxpayers who subtracted a distributive share of income or gain from another partnership, other than a mobile telecommunication partnership, on line 24 of Schedule B of this form should add back the same percentage of such income or gain as the other partnership allocated to the City for purposes of determining its own business income.

Taxpayers who added back a distributive share of business loss or deductions from another partnership, other than a mobile telecommunication partnership, on line 15 of Schedule B of this form should subtract the same percentage of such loss or deductions as the other partnership allocated to the City for purposes of determining its own business income. See instructions for lines 15 and 24.

**LINE 7b**

Taxpayers who subtracted a distributive share of investment income or gain from another partnership, other than a mobile telecommunication partnership, on line 24 of Schedule B of this form should add back the same percentage of such income or gain as the other partnership allocated to the City for purposes of determining its own investment income.

Taxpayers who added back a distributive share of investment loss or deductions from another partnership, other than a mobile telecommunication partnership, on line 15 of Schedule B of this form should subtract the same percentage of such loss or deductions as the other partnership allocated to the City for purposes of determining its own partnership income.

**LINE 9 - ALLOCATED INVESTMENT INCOME**

Only the amount on line 7a should be multiplied by the IAP. After determining the product of the amount on line 7a and the IAP enter the sum of that product and the amount on line 7b on this line. If the investment allocation percentage is zero, interest on bank accounts must be multiplied by the business allocation percentage.

**LINE 10 - TOTAL BEFORE NOL DEDUCTIONS**

For taxpayers using formula allocation, enter on line 10 the sum of the amount on line 9 and the amounts on lines 5 and 6. For taxpayers electing

to use the books and records method of allocating business income, enter on line 10 the sum of the amount on line 9 and the amounts on lines 1 and 3b.

**UNINCORPORATED BUSINESS NET OPERATING LOSS**

If line 10 shows a net loss from business, this loss is the partnership's 2008 unincorporated business net operating loss that may be carried back or forward as provided below.

Only the first \$10,000 of each year's loss may be carried back. The carryback period for City purposes generally corresponds to the federal carryback period available for individuals. Because a partnership does not carry over NOLs, it will not have made a Federal election with regard to any net operating loss carryover. Therefore, for City tax purposes for losses arising in taxable years ending in or after 2002, it will be presumed that, unless the taxpayer attaches a statement to this return indicating that the taxpayer intends to carry back the first \$10,000 of the current year's loss for either 2 or 5 years, the taxpayer is presumed to have elected to relinquish the entire carryback period.

If the taxpayer elects to carry back the first \$10,000 of the loss, any excess net operating loss may be carried forward as if the taxpayer had elected to relinquish the entire carryback period for all but the first \$10,000 of the loss.

Losses that are not permitted to be carried back may be carried forward and used to offset income for the period permitted for Federal Tax purposes, 20 years for losses from years beginning after 8/5/97.

If a "carryback" results in an overpayment of a prior year's tax, a claim for refund on Form NYC-113 (Claim for Credit or Refund of Unincorporated Business Tax) should be filed within the limitation period prescribed by law. This claim should be accompanied by a copy of Form NYC-204 filed for the taxable year for which the refund is claimed and a detailed statement of the computation.

**LINE 11 - NEW YORK CITY NET OPERATING LOSS DEDUCTION**

If the partnership had an unincorporated business net operating loss in a prior year any part of which may be carried over to 2008, the amount claimed for 2008 should be entered on line 11 after completing Schedule F, line 1. (Refer to instructions for Schedule F.)

**LINE 13 - ALLOWANCE FOR ACTIVE PARTNERS' SERVICES**

A deduction may be claimed for reasonable compensation for personal services rendered by the partners. The allowable deduction is:

- 1) 20% of line 12, or
- 2) \$10,000 for each active partner,

whichever is lower. If line 12 is a loss, enter "0" on line 13. This deduction is not dependent on amounts actually withdrawn by the partners as salaries and is in lieu of any deduction for salaries credited or paid to or withdrawn by them. Enter in the box provided on line 13 the number of partners actively engaged in the business.

**LINE 15 - SPECIFIC EXEMPTION**

A specific exemption of \$5,000 is allowed against net income reported on line 14. If more than one business was carried on by the partnership, only one exemption of \$5,000 is allowed against the combined net income derived from all business activities.

The specific exemption of \$5,000 must be prorated on a \$13.70 daily basis if the business was carried on for a period of less than a full taxable year of 12 months, unless the business was carried on and the returns filed for a number of whole months. In that case, the proration is \$416.67 per month.

**EXAMPLE**

**#1** If the partnership carried on business for a full 9 months, the exemption amount to be entered on line 15 is \$3,750.03 (9 months X \$416.67 per full month).

**#2** If the partnership carried on business for 263 days, the exemption amount to be entered on line 15 is \$3,603.10 (263 days X \$13.70 per day).

**Taxpayers filing a short period return should fill in the dates at the top of page 1 of the return and prorate the specific exemption as described above.**

**LINE 16 - TAXABLE INCOME**

If line 16 is a loss refer to the instructions for Schedule A, line 10.

**LINE 18 - SALES AND USE TAX ADDBACK**

This item relates to the unincorporated business tax credit for sales and compensating use tax paid on certain machinery, equipment and services (NYC Administrative Code Sections 11-503(d) and 11-503(k)). If the taxpayer received a refund or credit in 2008 of such sales or compensating use tax for which it claimed an unincorporated business tax credit in a prior tax period, the amount of such refund or credit must be added back on line 18. A corresponding adjustment is to be made on line 18 of Schedule B, part 2. (Refer to instructions for line 18 of Schedule B, part 2.)

**LINE 20- BUSINESS TAX CREDIT**

- If the amount entered on line 19 is \$3,200 or over, no credit is allowable; enter "0" on line 20.
- If the amount entered on line 19 is \$1,800 or less, your credit is the entire amount of tax on line 19. No tax will be due.
- If the amount of tax entered on line 19 exceeds \$1,800 but is less than \$3,200, a credit is allowed in the amount determined by multiplying the tax on line 19 by a fraction, the numerator of which is \$3,200 minus the amount of the tax on line 19 and the denominator of which is \$1,400. Use the following formula:

**FORMULA**

$$\frac{\text{amount on line 19} \times (\$3,200 - \text{tax on line 19})}{\$1,400} = \text{business tax credit}$$

**EXAMPLE**

If the tax on line 19 is \$2,800, the business tax credit is calculated as follows:

- 1)  $\$2,800 \times (\frac{\$3,200 - \$2,800}{\$1,400}) = \$800$
- 2) Enter \$800 on line 20
- 3) Enter \$2,000 (\$2,800 - \$800) on line 21 (Unincorporated Business Tax).

**LINE 21 - TAX BEFORE UBT PAID CREDIT**

Enter on line 21 the Unincorporated Business Tax due before applying the UBT paid credit. If the credit on line 20 equals the tax shown on line 19, enter "0" on line 21.

**LINE 22 - UBT PAID CREDIT**

Enter on line 22 the credit against the Unincorporated Business Tax paid by partnerships from which you receive a distributive share or guaranteed payment that you include in unincorporated business taxable income. (Attach Form NYC-114.7, UBT Paid Credit.)

**LINE 23 - UNINCORPORATED BUSINESS TAX**

If the balance is less than zero, enter "0."

**LINE 24a - OTHER CREDITS**

Enter on line 24a credits against the unincorporated business tax for:

- 1) relocation and employment assistance program (REAP) credit. (Refer to instructions on Form NYC-114.5.) (Attach form.)
- 2) sales and compensating use taxes. (Refer to instructions on Form NYC-114.5 and instructions for line 14 of this schedule.) (Attach form.)

*NOTE: this credit may only be taken for sales tax paid, if any, in the current year on eligible purchases in prior years.*

**LINE 24b - REAL ESTATE TAX ESCALATION, INDUSTRIAL BUSINESS ZONE AND EMPLOYMENT OPPORTUNITY RELOCATION COSTS CREDITS**

(Refer to instructions on Form NYC-114.6, Claim for Credit Applied to Unincorporated Business Tax.) (Attach form.)

**LINE 24c - LOWER MANHATTAN RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM (LMREAP) CREDIT**

Refer to instructions on Form NYC-114.8 and attach form.

**LINE 24d - MADE IN NYC FILM PRODUCTION CREDIT**

Refer to instructions on Form 114.9 and attach form.

**LINE 26 - PAYMENT OF ESTIMATED TAX**

Enter on line 26 the sum of all payments of estimated tax made for calendar year 2008 or fiscal year beginning in 2008 including any amount of overpayment from the preceding taxable year credited to this year's tax, and payment made with extension, NYC-EXT. Complete the table on page 3 of this return.

**LINE 29a - LATE PAYMENT/INTEREST**

If the tax is not paid on or before the due date (determined without regard to any extension of time), interest must be paid on the amount of the underpayment from the due date to the date paid. For information as to the applicable rate of interest, see the Department of Finance website at: [http://home2.nyc.gov/html/dof/html/business/business\\_tax\\_interest.shtml](http://home2.nyc.gov/html/dof/html/business/business_tax_interest.shtml) or call *Customer Assistance at (212) 504-4036*. For further information about estimated tax payments and due dates see Form NYC-5UB.

**LINE 29b - LATE PAYMENT OR LATE FILING/ADDITIONAL CHARGES**

- a) A **late filing penalty** is assessed if you fail to file this form when due, unless the failure is due to reasonable cause. For every month or partial month that this form is late, add to the tax (less any payments made on or before the due date) 5%, up to a total of 25%.
- b) If this form is filed more than 60 days late, the above late filing penalty cannot be less than the lesser of (1) \$100 or (2) 100% of the amount required to be shown on the form (less any payments made by the due date or credits claimed on the return).
- c) A **late payment penalty** is assessed if you fail to pay the tax shown on this form by the prescribed filing date, unless the failure is due to reasonable cause. For every month or partial month that your payment is late, add to the tax (less any payments made) 1/2%, up to a total of 25%.
- d) The total of the additional charges in a and c may not exceed 5% for any one month except as provided for in b.

If you claim not to be liable for these additional charges, attach a statement to your return explaining the delay in filing, payment or both.

**LINES 31 and 32 - NET OVERPAYMENT**

If there is an overpayment on line 31, enter on line 32a the amount of overpayment to be refunded. Enter on line 32b the amount to be credited to the 2008 estimated tax on Form NYC-5UB. If line 25 is less than zero, disregard negative sign and add that amount to line 26.

**LINE 33 - TOTAL REMITTANCE DUE**

If the amount on line 28 is not greater than zero, enter on line 33 the sum of the amount on line 27 and the amount by which line 30 exceeds line 28, if any.

After completing this return, enter the amount of your remittance on line A. This must be the full amount as shown on line 33. All remittances must be payable in U.S. dollars drawn on a U.S. bank. Checks drawn on foreign banks will be rejected and returned. Remittances must be payable to:

**NYC Department of Finance.**

The entire balance due must be paid with the return and is not to be transferred to or paid on any other return.

**SCHEDULE B  
Computation of Total Income**

**PART 1 - ITEMS OF BUSINESS INCOME, GAIN, LOSS OR DEDUCTION**

Amounts on lines 1 through 12 are to be entered from the federal Partnership Tax Return and Sched-

ule K. **Attach federal Form 1065 and all schedules, including individual Schedules K-1.**

- 1) Where a partnership carries on two or more unincorporated businesses, either wholly or partly in New York City, all are treated as one business for purposes of the Unincorporated Business Tax. Combine the net income of all business activities and enter on lines 1 through 9. An unincorporated entity (not an individual) is considered to be carrying on any trade, business, profession or occupation carried on in the City by any other unincorporated entity in which the taxpayer owns an interest. An unincorporated entity will not be considered to be conducting an unincorporated business in the City as a result of owning an interest in another unincorporated entity if the second entity is not engaged in any activity in the City.
- 2) If business is carried on both inside and outside New York City and the taxpayer is electing to allocate business income according to the books and records of the business, report in Schedule B, part 1, the New York City income and deductions only. Apply the New York City modifications described in part 2 that relate to the New York City items reported.

If the taxpayer is using an alternative method of allocation and a percentage formula is used other than the statutory formula, enter the amounts from the federal tax return on lines 1 through 11 of this schedule. If a direct allocation method is used, report in Schedule B, part 1, the New York City income and deductions only. Apply the New York City modifications described in part 2 that relate to the New York City items reported. (*Refer to the instructions for Schedule E, Business Allocation for further details.*)

**NOTE:** A partnership that makes an election under IRC Section 754 may not adjust the basis of its assets on the sale or purchase of an interest in the partnership.

**LINES 1, 2, 3 AND 4**

Enter on line 1 the ordinary income (loss) from federal Form 1065, line 22. Enter on line 2 net income (loss) from all rental real estate activity not included on line 1, but included on Schedule K of federal Form 1065. Enter on line 3 portfolio income included on federal Schedule K. Enter on line 4 guaranteed payments to partners properly reportable on Schedule K. **If you are electing to use the books and records method of allocation, enter amount allocable to New York City.**

Portfolio income includes interest, dividends, royalties, annuity income and gain (loss) on the disposition of property. (*Attach a schedule indicating type and amount of portfolio income.*)

**LINE 8 - ADDBACK OF OTHER DEDUCTIONS**

Enter on line 8 those deductions included in lines 1 and 2 that are not allowed in computing unincorporated business taxable income, other than the guaranteed payments entered on line 4, the payments to current or retired partners on line 5 and the New York City modifications on lines 13 through 15. For example, the partnership's contributions to retirement plans for partners (if deducted on Form 1065, page 1) are entered on line

**8. If you are electing to use the books and records method of allocation, enter amount allocable to New York City.**

**LINE 9 - OTHER ITEMS**

Enter the net amount of the partners' distributive shares of income and deduction items not included in any other line on Form NYC-204, Schedule B, but required to be reported separately to complete federal Form 1065. (*Attach schedule.*) Deduction items reported separately on Form 1065 that constitute payments to partners for purposes of the Unincorporated Business Tax, such as amounts paid for a partner's medical insurance are not deductible for Unincorporated Business Tax purposes. These amounts should be listed on the attached schedule for informational purposes, but not deducted in determining the net amount to be entered on this line. **If you are electing to use the books and records method of allocation, enter amount allocable to New York City.**

**LINE 11 - INCOME OR GAIN - SALE OR EXCHANGE OF REAL PROPERTY**

Rental income or loss from real property located outside New York City and gain or loss on disposition of real property located outside New York City are not considered for purposes of computing the unincorporated business tax. Therefore, to exclude this income, gain or loss, subtract on line 11 the amount included on line 10 if income or gain is reported, and add this amount on line 11 if a loss is reported. Do not exclude the rental income from property located in New York City even if not considered an unincorporated business. (*Refer to "Who is Subject to the Tax", paragraph 6)(See instructions for line 14(e).)*)

**PART 2 - NEW YORK CITY MODIFICATIONS**

It may be necessary to make certain additions to or subtractions from the amount reported on Schedule B, part 1, line 12 to arrive at total income from business to be reported on line 28. If any of the following items is applicable, complete part 2 showing the nature and amount of each item. If none of these applies, transfer the amount on line 12 to line 28 of Schedule B.

If the business is carried on both inside and outside New York City and you are electing to determine New York City income from the books and records of the business, enter in part 2 only those additions and subtractions that relate to the New York City items reported on lines 1 through 9 of Schedule B, part 1.

**- ADDITIONS -**

**LINE 13 - INCOME AND UNINCORPORATED BUSINESS TAXES**

Enter the amount of income and unincorporated business taxes imposed by New York City, New York State or any other taxing jurisdiction that were deducted in computing part 1, line 12.

**LINE 14 - MODIFICATIONS RELATING TO ITEMS OF TAX CREDIT AND DEDUCTION**

*Line 14a:* The credit for sales tax paid on electricity or electric service used in the production of certain tangible property formerly allowed by Admin. Code §11-503(g) has been repealed for purchases on or after November 1, 2000. No amount should be added back with respect to this credit.

Purchases of machinery or equipment for which a credit is allowed by Admin. Code §11-503(d) were exempted from sales tax effective December 1, 1989. Purchases of services performed on machinery or equipment used in production for which a credit is allowed by Admin. Code §11-503(k) were exempted from sales tax effective September 1, 1996. Credits may be taken under these two provisions only if the sales tax payment was made in the current year with respect to a purchase in a period when the applicable sales tax was effective. In such case, the sales tax excluded or deducted for federal tax purposes should be added back. If you are claiming a credit pursuant to §11-503(d), a Form NYC 114.5 for the year 1990 or a prior year should be used. If you are claiming a credit pursuant to §11-503(k), a Form NYC 114.5 for the year 2000 or a prior year should be used.

*Line 14b:* Taxpayers claiming the real estate tax escalation credit or employment opportunity relocation costs credit or industrial business zone credit must enter the sum of the amounts shown on lines 4 and 5, respectively, of Form NYC-114.6.

*Line 14c:* Enter any amounts deducted in computing part 1, line 12, for:

- i) interest on money borrowed to purchase or carry bonds or securities, the interest on which is exempt from the Unincorporated Business Tax;
- ii) expenses that relate to exempt income or to property held for the production of exempt income; and
- iii) amortization of bond premium on any bond, the interest on which constitutes exempt income.

*Line 14d:* The Federal bonus depreciation allowed for "qualified property," as defined in IRC section 168(k) is not allowed for Unincorporated Business Tax purposes except for such deductions allowed with respect to "qualified New York liberty zone property", "qualified New York liberty zone leasehold improvements" and "qualified property" placed in service in the Resurgence Zone (generally the area in the borough of Manhattan South of Houston Street and North of Canal Street.) For City tax purposes, depreciation deductions for all other "qualified property" must be calculated as if the property was placed in service prior to September 11, 2001. For tax years beginning on or after January 1, 2004, other than for eligible farmers (for purposes of the New York State farmers' school tax credit), the amount allowed as a deduction with respect to a sport utility vehicle that is not a passenger automobile for purposes of section 280F(d)(5) of the Internal Revenue Code is limited to the amount allowed under section 280F of the Internal Revenue Code as if the vehicle were a passenger automobile as defined in that section. With respect to SUV's placed into service after December 31, 2007 and before January 1, 2009, Federal bonus first year depreciation for passenger automobiles allowed under the Economic Stimulus Act of 2008 is disallowed for SUVs except for SUVs that are "Qualified Resurgence Zone property." For SUVs that are qualified property other than qualified Resurgence Zone property and other than New York Liberty Zone property, the amount allowed as a deduction is calculated as of the date the SUV was actually

placed in service and not as of September 10, 2001. On the disposition of an SUV subject to the limitation, the amount of any gain or loss included in income must be adjusted to reflect the limited deductions allowed for City purposes under this provision. Enter on Schedule B, lines 14(d) and 20 the appropriate adjustments from form NYC-399Z. See Finance Memorandum 08-2, "Application of IRC §280F Limits to Sport Utility Vehicles" for more information.

The federal depreciation deduction computed under the Accelerated Cost Recovery System (ACRS) or the Modified Accelerated Cost Recovery System (MACRS) (IRC Section 168) is not allowed for property placed in service in New York State in taxable years beginning before January 1, 1985 (except recovery property subject to the provisions of IRC Section 280-F).

ACRS and MACRS may not be allowed for property placed in service outside of New York State in taxable years beginning after 1984 and before January 1, 1994 (except property subject to the provisions of IRC Section 280-F).

For additional information regarding depreciation deductions for property placed in service outside of New York after 1984 and before 1994, see Finance Memorandum 99-4 "Depreciation for Property Placed in Service Outside New York after 1984 and Before 1994".

In place of the federal depreciation deduction, a depreciation deduction using pre-ACRS or MACRS rules (IRC Section 167) is allowed.

Enter on line 14d the ACRS depreciation deduction used in computing, part 1, line 12. (*Refer to instructions for line 20.*) (*Attach Form NYC-399 and/or NYC-399Z.*)

**Line 14e: Exempt Activities.** Deductions and losses attributable to activities not considered part of an unincorporated business must be added back. See "Who is Subject to the Tax". Add back losses, interest, depreciation and any other expenses deducted for federal income tax purposes directly or indirectly attributable to the holding, leasing or managing of real property (including any business conducted at the property as an incidental service to tenants) or to the income or gain therefrom, if such holding, leasing or managing of property is exempt from Unincorporated Business Tax under NYC Administrative Code Section 11-502(d) in taxable years beginning on or after July 1, 1994 or January 1, 1996, in the case of parking services rendered to tenants at a garage open to the public. (*Refer to "Who is Subject to the Tax", paragraph 6.*)

Add back losses, interest or other expenses deducted for federal income tax purposes directly or indirectly attributable to notional principal contracts, the holding, sale, disposition, assumption, offset or termination of a position in property as defined in Admin. Code §11-502(c) (1) (A), or other substantially similar losses from ordinary and routine trading or investment activity as determined by the Commissioner, realized in connection with certain investment activities to the extent such activities are considered exempt from the Unincorporated Business Tax. *Refer to "Who is Subject to the Tax", Paragraph 5.*

In the case of a taxpayer that qualifies for the partial investment exemption (see: "Who is Subject to the Tax", paragraph 5), add back losses, interest or other expenses deducted for federal income tax purposes directly or indirectly attributable to the sale or other disposition of an interest in another unincorporated entity to the extent attributable to activities of that entity covered by the taxpayer's partial exemption.

#### LINE 15 - OTHER ADDITIONS

If you have received a distributive share of investment or business loss or deductions from any partnership, other than a mobile telecommunications partnership as described below, add back here any distributive share amounts of such loss or deductions included in calculating the amount on line 12 of this schedule and not previously added back on line 11. NOTE: A corresponding subtraction may have to be made on Schedule A, line 3b or 7b. See instructions for those lines.

**Mobile Telecommunications Partnerships.** For tax years beginning on or after August 1, 2002, partnerships that are partners in partnerships that receive at least eighty percent of their gross receipts from providing mobile telecommunications services should add back here any distributive share of losses or deductions from any such partnership, including their share of separately reported items included in calculating the amount on line 1 of this schedule. There is no corresponding subtraction on Schedule A for these amounts.

Describe in a separate schedule the nature and amount of any additions, such as:

- 1) interest income on state and local bonds held in connection with the business (other than on bonds of New York State and its political subdivisions)
- 2) interest or dividend income on bonds or securities, held in connection with the business, of any United States authority, commission or instrumentality that the laws of the United States exempt from federal income tax but not from state or local income taxes
- 3) royalty and interest payments made to related members as required by Ad. Code section 11-506(f). See "Highlights of Recent Tax Law Changes for Partnerships (including limited liability companies)."
- 4) any other additions required by Sections 11-506 and 11-507 of the NYC Administrative Code. (*Attach any appropriate schedules.*)

#### - SUBTRACTIONS -

#### LINE 17 - INCOME AND UNINCORPORATED BUSINESS TAX REFUNDS

Enter any refund or credit for the overpayment of any income tax to the extent included in computing part 1, line 10.

#### LINE 18 - SALES AND USE TAX REFUNDS OR CREDITS

This item relates to the unincorporated business tax credit for sales and compensating use taxes paid on certain machinery, equipment and certain services. If the taxpayer received a refund or credit in 2008 of any sales or use tax for which it claimed an unincorporated business tax credit in a

prior tax period, the amount of the refund or credit must be added to the Unincorporated Business Tax on line 18 of Schedule A, and entered at Schedule B, part 2, line 18 as a subtraction modification. There is no addback for current refunds of sales tax paid on purchases or use of electricity or electric service used in the production of certain tangible property for which the taxpayer took a credit in a prior period under Adm. Code §11-503(g).

#### LINE 19 - FEDERAL EMPLOYMENT CREDIT

Enter the portion of wages and salaries paid or incurred for the taxable year for which a deduction is not allowed pursuant to the provisions of Section 280C of the Internal Revenue Code. (*Attach federal Form 5884 or 8884 for Liberty Zone business employees.*)

#### LINE 20 - DEPRECIATION ADJUSTMENT

If a taxpayer took the additional depreciation deduction on its federal return with respect to "qualified property" OTHER THAN "qualified Resurgence Zone property", "qualified New York Liberty Zone property" and "qualified New York Liberty Zone leasehold improvements or SUVs for which an addback was required under the instructions to Line 14(d) of this schedule, use NYC-399Z to calculate the amount of the deduction that may be deducted for City purposes. The amount appearing in column B of line 8 on Form NYC-399Z should be included on this line. See "Highlights of Recent Tax Law Changes", and Finance Memorandum 08-2, "Application of IRC §280F Limits to Sport Utility Vehicles" for more information.

In place of the disallowed ACRS deduction for certain property, line 14d, a depreciation deduction computed by any method permitted under IRC Section 167 as in effect on December 31, 1980, will be allowed. Enter on line 20 the ACRS adjustment from Form NYC-399, Schedule C, line 8B. (*Attach Form NYC-399.*) (See instructions for line 14d and Finance Memorandum 99-4 "Depreciation for Property Placed in Service Outside New York After 1984 and Before 1994".)

#### LINE 21 - EXEMPT INCOME

Attach a schedule showing nature and amount of exempt income, such as:

- 1) interest income on United States obligations included in computing part 1, line 12;
- 2) interest or dividend income on bonds or securities of any United States authority, commission or instrumentality included in computing part 1, line 12 but exempt from state or local income taxes under United States law; or
- 3) interest or dividend income on bonds or securities to the extent exempt from income tax under New York laws authorizing the issuance of these bonds or securities, but included in computing part 1, line 12.

#### LINE 22 - DIVIDENDS

Enter 50% of dividends other than dividends from stocks not meeting the holding period requirement set forth in IRC Section 246(c).

#### LINE 23 - EXEMPT ACTIVITIES

Subtract income or gain includible in gross income for federal income tax purposes from the holding, leasing or managing of real property (in-

cluding any business conducted at the property as an incidental service to tenants) if such holding, leasing or managing of property is not subject to Unincorporated Business Tax under NYC Administrative Code Section 11-502(d) (*Refer to "Who is Subject to the Tax", paragraph 6.*)

Subtract income or gain includible in gross income for federal income tax purposes, including dividends, interest, income attributable to securities loans, notional principal contracts, the holding, sale, disposition, assumption, offset or termination of a position in property as defined in Admin. Code §11-502(2) (1) (A), or other substantially similar income from ordinary and routine trading or investment activity as determined by the Commissioner, realized in connection with certain investment activities to the extent such activities are considered exempt from the Unincorporated Business Tax. (*Refer to: "Who is Subject to the Tax", paragraph 5.*)

In the case of a taxpayer that qualifies for the partial investment exemption (*see: "Who is Subject to the Tax", paragraph 5*), subtract income or gain includible in gross income for federal income tax purposes realized from the sale or other disposition of an interest in another unincorporated entity to the extent attributable to activities of that entity covered by the taxpayer's partial exemption.

**LINE 24 - OTHER SUBTRACTIONS**

If you have received a distributive share of business or investment income or gains from any partnership, other than a utility partnership as described below, subtract here any distributive share amounts of such income or gains included in calculating the amount on line 12 of this schedule and not previously subtracted on line 11. NOTE: A corresponding addback may have to be made on Schedule A, line 3b or 7b. See instructions for those lines.

Utility Partnerships. For tax years beginning on or after August 1, 2002, partnerships that are partners in partnerships that are subject to tax under Ad. Code Title 11, Ch. 11 as "utilities" defined in Ad. Code section 11-1101(6) should subtract here any distributive share of income or gains from any such partnership, including their share of separately reported items included in calculating the amount on line 1 of this schedule. There is no corresponding addback on Schedule A for these amounts.

Describe in a separate schedule the nature and amount of any subtractions, such as:

- 1) the portion of gain included in computing part 1, line 12, from the sale or other disposition of property acquired before January 1, 1966, except:
  - a) stock in trade of the taxpayer or other property of a kind that would be properly included in his inventory if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business; and
  - b) accounts or notes receivable acquired in the ordinary course of the trade or business for services rendered or from the sale of property described in a) to the extent of the difference between:

- i) the amount of gain reported for each property; and
- ii) the amount of gain that would be reported for each property if the adjusted basis of the property on the date of sale or other disposition had been either:
  - A) its fair market value on January 1, 1966, or on the date of its sale or disposition prior to January 1, 1966, plus or minus all federal adjustments to basis for the period after December 31, 1965, or
  - B) the amount realized from its sale or other disposition,
 whichever is lower.

If a gain reported is from a sale of property prior to January 1, 1966, reported on the installment method, the fair market value of the property on the date of the sale must be substituted for its fair market value on January 1, 1966. The total adjustment may not exceed the taxpayer's net gain from the sale or other disposition of all the property.

- 2) interest on money borrowed to purchase or carry bonds or securities, the interest on which is subject to the Unincorporated Business Tax but exempt from federal income tax; ordinary and necessary expenses paid or incurred during the taxable year in connection with income or property held for the production of this income; and amortization of bond premium for the taxable year on any bond, the interest on which is subject to the Unincorporated Business Tax but exempt from federal income tax, to the extent these items were not deducted in computing part 1, line 12.
- 3) subtract income such as royalties from related members for the use of intangibles as described in section 11-506(f) of the Administrative Code. See "Highlights of Recent Tax Law Changes for Partnerships (including limited liability companies)."
- 4) any other subtractions required by Sections 11-506 and 11-507 (other than charitable contributions) of the NYC Administrative Code. (*Attach any appropriate schedules.*)

Do not include on line 24 any net operating loss carryover. Any unincorporated business net operating loss deduction allowable in 2008 by reason of a carryover of a net operating loss sustained by the partnership in prior years should be reported in Schedule F and on Schedule A.

**SAFE HARBOR LEASES**

This applies to agreements entered into prior to January 1, 1984. The NYC Administrative Code was amended to nullify the effects of federal "Safe Harbor Leases" upon New York City unincorporated business taxable income. (*Refer to Sections 11-506 and 11-507 of the NYC Administrative Code for details.*)

**LINE 28 - CHARITABLE CONTRIBUTIONS**

Deductions are allowed for charitable contributions made by the partnership, as a tax entity separate and distinct from its partners, to the extent contributions would be deductible by a corporation for federal income tax purposes, but not in excess of 5% of line 27. In general, contributions deductible by a corporation are the same as those for individuals, except that:

- 1) contributions to fraternal societies, orders and associations operating under the lodge system are not deductible, and
- 2) contributions to a trust, chest, fund or foundation are deductible only if they are to be used within the United States or its possessions.

**LINE 30 - INVESTMENT INCOME**

Investment income includes: 50% of dividends from stocks held for investment; interest from investment capital; net capital gain or loss from sales or exchanges of securities held for investment; and income from cash if an election is made to treat cash as investment capital on line 3 of Schedule D. Do not include any capital loss that could not be used in computing federal taxable income.

In computing investment income, subtract the amount of deductions allowable in computing entire net income which are directly or indirectly attributable to investment capital or investment income.

**LINE 30a - DIVIDENDS FROM STOCKS HELD FOR INVESTMENT**

Enter dividends not excluded on line 22. This includes 50% of dividends from corporations for which an exclusion was allowed on line 22 of this schedule and 100% of dividends from stock not meeting the holding period requirement set forth in Section 246(c) of the IRC.

**LINE 30d - INCOME FROM CASH**

Enter income from cash on Schedule B, line 30d only if you have elected to treat cash as investment capital and have entered the amount thereof on Schedule D, line 3.

**LINE 30f - DEDUCTIONS ATTRIBUTABLE TO INVESTMENT CAPITAL**

For more information, see Statement of Audit Procedure GCT-2008-04, Noninterest Expense Attribution, April 9, 2008 and Statement of Audit Procedure PP-2008-12, GCT & UBT Treatment of Repurchase Agreements and Securities Lending and Borrowing Transactions for Financial Services Firms Regularly Engaged in Such Activities, March 31, 2008, available on the Department's website at [nyc.gov/finance](http://nyc.gov/finance).

**SCHEDULE C**

**Partnership Information**

Partnerships must complete this schedule in order to claim the allowance for partner's services (Schedule A, line 13). In addition, this schedule must be completed for partners to claim the UBT Paid Credit on their own respective Unincorporated Business, General Corporation or Banking Corporation Tax returns or a credit for UBT paid on their own City resident PIT return.

Enter for each partner in column 3 the sum of that partner's distributive share of income, gain, loss and de-

ductions of the partnership, and guaranteed payments from the partnership, **but only if the sum is greater than or equal to zero** (i.e., the partner's income, gain, and guaranteed payments exceed the partner's losses and deductions). For this purpose, a partner's distributive share is that partner's distributive share of each item of income, gain, loss, and deduction, other than guaranteed payments made by the partnership, reflected in Schedule B, line 29, plus the amount of any guaranteed payments to that partner from the partnership. **If the sum is less than zero** (i.e., the partner's losses and deductions exceed the partner's income, gain, and guaranteed payments), **enter "0"**.

Enter in column 4 each partner's percentage share of the total of the amounts entered in column 3. Divide the amount for the partner in column 3 by the column 3 total. The total of the percentages in column 4 must add up to 100%.

## SCHEDULE D

### *Investment Allocation*

Complete Schedule D if you directly own investment capital.

### **Allocation for Partners in Other Partnerships.**

If an unincorporated entity (the "partner") is a partner in another unincorporated entity (the "partnership"), carrying on an unincorporated business wholly or partly in New York City, the partner should not include its percentage interest in the items of investment capital of the partnerships from which it receives a distributive share in Schedule D. The partner must allocate its distributive share of the partnership's investment income as provided below. See §28-07(j)(3)(i) of Title 19 of the Rules of the City of New York for more information.

Unless a partner is permitted or required by the Commissioner to use an alternative method, the partner must allocate to the City its investment income from directly owned investment capital based solely by reference to its directly owned investment capital without regard to its percentage interest in the investment capital of any partnership.

Unless a partner is permitted or required by the Commissioner to use an alternative method, the partner must separately allocate to the City the same percentage of its distributive share of investment income from a particular partnership as that partnership allocated to the City for purposes of determining its own unincorporated business taxable income for the partnership's taxable year ending with or within the partner's taxable year. The partner must report those amounts on lines 15 and 24 of Schedule B and line 7b of Schedule A. See instructions for those lines.

Discretionary use of other methods. The Commissioner of Finance in his or her discretion may permit or require the taxpayer to use another method to allocate its directly owned investment income and its distributive share of investment income of another partnership if the Commissioner determines that the above methods do not result in a fair and equitable allocation to the City of the taxpayer's income. If a partner is permitted or required to use a discretionary method, detailed schedules and explanations should be attached.

Investment capital is the average value of your investments in stocks, bonds, and other corporate or

government securities, less liabilities, both long term and short term, directly or indirectly attributable to investment capital. Investment capital does not include governmental stocks, bonds and other securities, the interest and dividends from which are totally exempt from the UBT except such instruments that are disposed of during the taxable year, producing taxable gain or loss. Investment capital does not include those stocks, bonds or other securities that are held for sale to customers in the regular course of business. Investment capital does not include interests in, or obligations of, partnerships or other unincorporated entities.

To determine the value of your assets for investment allocation purposes, you must include marketable securities at fair market value.

The fair market value of any asset is the price (without any encumbrance, whether or not the taxpayer is liable) at which a willing seller, not compelled to sell, will sell and a willing purchaser, not compelled to buy, will buy. The fair market value, on any date, of stocks, bonds and other securities regularly dealt in on an exchange or in the over-the-counter market is the mean between the highest and lowest selling prices on that date.

The value of all other property must be included at the value shown on the taxpayer's books and records in accordance with generally accepted accounting principles (GAAP).

### **ISSUER'S ALLOCATION PERCENTAGE**

To determine the portion of investment capital to be allocated within the City, multiply the value of each stock or security during the period covered by the return (column E) by the issuer's allocation percentage for that stock or security.

This percentage may be obtained from (1) tax service publications, (2) by writing to: NYC Department of Finance, Customer Assistance - Correspondence Unit, 59 Maiden Lane, 14th Floor, New York, NY 10038, or (3) by calling 212-504-4036. If the issuer was not doing business in New York City during the preceding year, the percentage is "0".

### **SCHEDULE D, LINE 3 - CASH**

If you have both business and investment capital, you may elect to treat cash on hand or on deposit as either business or investment capital. If you wish to elect to treat cash as investment capital, you must include it on this line. Otherwise, you will be deemed to have elected to treat cash as business capital. You may not elect to treat part of such cash as business capital and part as investment capital. You may not revoke your election after it has been made.

### **COMPOSITION OF PREPAYMENTS SCHEDULE**

Enter the payment date and the amount of all prepayments made for this tax period.

### **SCHEDULE E**

#### *Business Allocation*

An allocation of business income is permitted for purposes of the Unincorporated Business Tax if the partnership carries on business both inside and outside New York City.

#### **Allocation for Partners in Other Partnerships.**

If an unincorporated entity (the "partner") is a partner in another unincorporated entity (the

"partnership"), carrying on an unincorporated business wholly or partly in New York City and either the partner or the partnership allocates a portion of its unincorporated business entire net income outside New York City, the partner must allocate its distributive share of the partnership's business income, if any, as provided below. The partner should not report its distributive share of that partnership's business income or any of that partnership's allocation factors on Schedule E.

Unless a partner is permitted or required by the Commissioner to use an alternative method, the partner must allocate to the City the same percentage of its distributive share of each item of a particular partnership's business income, gain, loss and deduction as the partnership allocated to the City for purposes of determining its own business income allocated to the City for the partnership's taxable year ending with or within the partner's taxable year (whether determined on the basis of the partnership's books and records or using formula allocation.) The partner must report those amounts on lines 15 and 24 of Schedule B and line 3b of Schedule A. See instructions for those lines. See §28-07(j)(2)(i)(A) of Title 19 the Rules of the City of New York.

Discretionary use of other methods. The Commissioner of Finance in his or her discretion may permit or require a taxpayer partner to use another method to allocate its own business income and its distributive share of the business income, gain, loss and deduction of another partnership if the Commissioner determines that the methods provided do not result in a fair and equitable allocation to the City of the taxpayer partner's income. If a partner is permitted or required to use a discretionary method, detailed schedules and explanations should be attached.

### **ALLOCATION BY SEPARATE BOOKS AND RECORDS**

For tax years beginning on or after January 1, 2005, except as provided below, taxpayers must allocate business income using the formula method. However, taxpayers who used the books and records method for the two immediately preceding tax years, which must have consisted of 12 months each, may make a one time election to continue using the books and records allocation method for each tax year beginning on and after January 1, 2005 and before January 1, 2012. Taxpayers must make this election on a timely filed original return for the first tax year beginning in 2005. To make this election, check the box marked "yes" on page 1 of this return. NOTE: the election cannot be made or, if made, will be deemed to have been revoked if the Department of Finance determines that the use of books and records did not fairly reflect the taxpayer's income from the City for either of the two preceding tax years. Similarly, the election will be deemed revoked as of the beginning of the tax year, if the Department of Finance determines that the use of books and records does not fairly reflect the taxpayer's income from the City for that year. A taxpayer may revoke the election for any tax year by filing a return using another permitted allocation method. However, the revocation will not be effective if the Department determines that the other method does not fairly reflect the taxpayer's income from the City. Further, in the case of a partnership or other unincorporated entity, the election will be deemed revoked as of the beginning of the taxable year unless one or more of the persons having a pro-

portionate interest or interests of more than 50 percent of the total amount of such interests in the taxpayer's unincorporated business gross income and unincorporated business deductions during that taxable year are also persons having more than 50 percent of such total proportionate interests in the taxpayer's last taxable year beginning before January 1, 2005. For purposes of this rule, a transfer of the above interests of a deceased partner to the estate of that partner is disregarded, but any transfer on the part of the deceased partner's estate is not disregarded. Once the election has been revoked or is deemed revoked, the taxpayer may not use the books and records allocation method for any subsequent year. See section 11-508(b)(2) of the NYC Administrative Code.

Eligible taxpayers who have made the election to allocate using the books and records method must check the box on page 1 and complete Schedule E, parts 1 and 2 and attach a detailed schedule showing the source of each item of income and expense as being attributable to inside and outside the City.

#### ALLOCATION BY FORMULA

Unless you are electing to use the books and records method, income from business carried on both inside and outside New York City must be determined in accordance with the statutory formula or an alternative method approved by the Department of Finance. Schedules E, Parts 1, 2 and 3 must be completed for this purpose in accordance with the specific instructions below.

A partnership that derives more than 10% of its gross receipts for the taxable year from publishing newspapers or periodicals or radio or television broadcasting must allocate all its income using the statutory formula unless the Department of Finance requires an alternative method to be used in order to fairly and equitably reflect the partnership's business income in the City.

#### ALTERNATIVE ALLOCATION METHOD

If you believe that the methods of allocation described above do not fairly and equitably reflect income from New York City, you may request the Department's consent to use an alternative method when filing this return. To make that request, you must check the appropriate box on page 1, complete Schedule E, Part 3, and explain your proposed alternative allocation method in a rider. This explanation must provide full information regarding the nature and scope of the business activities carried on within and without New York City and provide complete details of how the method you propose would allocate income on a more equitable basis than the statutory method. In addition, at the time of filing the return, you must pay the tax in accordance with the formula basis set out in Schedule E, Part 3. If the Department consents to your proposed alternative allocation method and it results in a lower tax liability than the formula basis set out in Schedule E, you may be entitled to a refund of the excess amount you have paid.

If the partnership directly carried on more than one business for which an alternative allocation method is required, a similar statement must be prepared for each business and attached to the return.

Security and commodity brokers should refer to 19 RCNY Section 28-07(h) for special rules for allocating commissions, manager fees, primary spreads, and selling concessions.

#### SCHEDULE E, PARTS 1 AND 2

Enter the information requested in parts 1 and 2, all columns. Indicate in the "rent" column whether you own or rent the premises listed. Enter the amount of rent paid, if any. (*Attach rider if necessary.*)

#### SCHEDULE E, PART 3

Compute the business allocation percentage by means of the three-factor formula as follows:

- the property factor (line 1)
- the payroll factor (line 2)
- the gross income factor (line 3)

Each factor is computed by dividing the amount in column A by the amount in column B. The resulting percentages are added together, the sum is divided by 3, and the resulting allocation percentage rounded to the nearest one hundredth of a percentage point entered on line 5. If one of the factors is missing, the other two percentages are added and the sum is divided by two. If two of the factors are missing, the remaining percentage is the allocation percentage. A factor is not missing merely because its numerator is zero, but is missing if both its numerator and denominator are zero.

#### EXAMPLE

A partnership has no employees either inside or outside New York City and pays no wages. The allocation percentage is computed by adding the property percentage and the gross income percentage and dividing the total by two.

After the business allocation percentage is computed, multiply Schedule A, line 4 by the business allocation percentage to determine the amount allocated to New York City.

#### Double Weighting for Manufacturers.

For taxable years beginning after 6/30/96, a manufacturing business may elect to use a double-weighted gross income factor. An election must be made on a timely filed original return and is made by entering on line 3b the amount from line 3a. If you make an election, add the percentages in column C and divide the sum by 4 and enter the result rounded to the nearest one hundredth of a percentage point on line 5. If one or more of the other factors is missing, add the remaining percentage(s) and divide by the number of percentages so added. **If you do not wish to make the election, do not enter an amount on line 3b.** For purposes of this election, a manufacturing business is an unincorporated business primarily engaged in the manufacturing and sale of tangible personal property. Manufacturing includes assembly, working raw materials into wares, and giving new shapes, qualities or combinations to matter that has already gone through some artificial process, through the use of machinery, tools, appliances or other similar equipment. An entity is primarily engaged in manufacturing if more than 50% of its gross receipts for the year are attributable to manufacturing.

The three factors are described below in the instructions for lines 1a, 1b, 1c, 2 and 3. Complete lines 1a, 1b, 1c, and 1d of Schedule E to determine

the average value of real and tangible personal property of the business.

#### LINE 1a - REAL PROPERTY OWNED

Enter in column A the average value of real property located within New York City. Enter in column B the average value of real property connected with the business, both inside and outside New York City. For this purpose, property connected with the business does not include property from which the taxpayer *solely* receives rental income not considered income from an unincorporated business. See: "Who is Subject to the Tax", paragraph 6.

The average value of the property is determined by adding:

- 1) its value at the beginning of the taxable year, and
- 2) its value at the end of the taxable year, and dividing by two.

#### LINE 1b - REAL PROPERTY RENTED FROM OTHERS

The value of real property rented to the business and to be included in line 1b is **eight** times the gross rent payable during the taxable year for which the return is filed. Gross rent includes:

- 1) any amount payable for the use or possession of real property or any part thereof, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise; and
- 2) any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other agreement; and
- 3) that proportion of the cost of any improvement to the real property made by or on behalf of the business which reverts to the owner or lessor upon termination of a lease or other agreement.

If a building is erected on land leased by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business. The value of the underlying land is determined by multiplying the gross annual ground rent by eight. Enter the value of rented real property located within New York City in column A and the value of all rented real property in column B.

#### LINE 1c - TANGIBLE PERSONAL PROPERTY OWNED

Enter in column A the average value of tangible personal property located within New York City. Enter in column B the average value of all tangible personal property *connected with* the business, both inside and outside New York City.

The average value of the property is determined by adding:

- 1) its value at the beginning of the taxable year, and
- 2) its value at the end of the taxable year, and dividing the sum by two.

**LINE 1d - TANGIBLE PERSONAL PROPERTY RENTED FROM OTHERS**

For tax years beginning on or after January 1, 2005, rented tangible personal property must be included in the property factor. The value of the rented tangible personal property to be included in line 1d is eight times the gross rent payable for the tangible personal property during the tax year.

**LINE 2 - WAGES, SALARIES AND OTHER PERSONAL SERVICE COMPENSATION**

The amounts to be entered on line 2 include wages, salaries, and other personal service compensation paid only to employees of the unincorporated business. Do not include payments to independent contractors or to independent sales agents. The portion that represents the amount paid in connection with operations carried on in New York City should be entered on line 2 in column A. The total compensation paid to employees during the taxable year in connection with unincorporated business operations carried on both inside and outside New York City should be entered in column B. If an employee works in or travels out of an office or other place of business within New York City, the compensation paid to that employee for services is part of operations carried on within New York City and must be included in New York City amounts.

**LINEs 3a and 3b - GROSS SALES OF MERCHANDISE OR CHARGES FOR SERVICES DURING THE YEAR**

Except as provided in the following paragraphs, the amount to be entered on line 3a in column A is the portion of the total gross sales or charges that represents services performed by or through an agency in New York City. This includes services performed by employees, agents, agencies or independent contractors situated at, connected with, or sent out from offices of the unincorporated business (or its agencies) located in New York City.

Notwithstanding the foregoing, for tax years beginning on and after July 1, 2005, the source of income from services will be determined by the place where the services were performed (the "place-of-performance method"), instead of the office out of which the services were performed, according to the following phase-in schedule: Taxpayers having gross receipts of less than \$100,000 for the first tax year starting on or after July 1, 2005 and before July 1, 2006, must use the place-of-performance method starting in that year. Taxpayers having gross receipts of less than \$300,000 for the first tax year starting on or after July 1, 2006 and before July 1, 2007, must use the place-of-performance method starting in that year. All other taxpayers must use the place-of-performance method starting with the first tax year beginning on or after July 1, 2007.

For taxable years beginning after June 30, 1996, the amount to be entered on line 3, column A with respect to sales of tangible personal property is the portion of the total gross sales of tangible personal property that represents sales where shipment is made to a point within New York City.

The amount to be entered on line 3a in column B is the total gross sales made or charges for services performed by the partners or by employees, agents, agencies, or independent contractors of the unincorporated business inside and outside New York City.

Do not include royalty income from related members that was subtracted on line 24 of Schedule B. See "Highlights of Recent Tax Law Changes for Partnerships (including limited liability companies)."

Partnerships engaged in publishing newspapers or periodicals must allocate receipts from advertising in such publications based on the circulation of the publication in the City compared to the total circulation. Partnerships engaged in radio or television broadcasting, whether by cable or other means, must allocate receipts from broadcasting programs or commercial messages based upon the location of the audience for the broadcasts in the City compared to the total audience. Partnerships engaged in publishing newspapers or periodicals or in radio or television broadcasting must allocate receipts from subscriptions to such newspapers, periodicals and broadcast programs based on the location of the subscriber.

Manufacturers electing to double-weight the gross income factor should enter the amount from line 3a, Column C, on line 3b. See Title 19 Rules of the City of New York §28-07(d) for rules relating to the definition of manufacturing.

Receipts from management, administration or distribution services provided to a regulated investment company (RIC) must be allocated based upon the percentage of the RIC's shareholders domiciled in New York City. (Attach rider showing computation.) See Admin. Code §11-508(e-2).

**SCHEDULE F*****Net Operating Loss Deduction***

The net operating loss deduction allowable on Form NYC-204 is computed in the same manner for unincorporated business tax purposes as it would be for federal income tax purposes if the unincorporated business were an individual taxpayer, but taking into account only unincorporated business gross income and unincorporated business deductions allocated to New York City of the unincorporated business.

If the unincorporated business was carried on both inside and outside New York City during the year in which the net operating loss was sustained, the allowable 2008 net operating loss deduction is determined by reference to the allocation basis or method used in the year the loss was sustained, regardless of whether the unincorporated business was carried on both inside and outside New York City during 2008. The amount of loss allocated to New York City for the loss year is the amount to be entered on line 1 of Schedule F.

**LINEs 2, 3, 4 and 5**

For purposes of completing lines 2 through 5, the amount of loss absorbed in a year is determined without regard to changes in interests of the member partners.

**LINE 7**

If the amount on Schedule A, line 10 is a loss, enter "0."

If you are submitting a Schedule F for more than one loss year, enter on line 7 of Schedule F for the earliest loss year the amount from the current year's Schedule A, line 10. On the Schedule F for any subsequent loss year, enter on line 7 the

amount from the current year's Schedule A, line 10, reduced by the sum of the amounts entered on Schedules F, line 12 for any earlier loss years.

For limitations on the net operating loss deduction of a partnership where the interests of the member partners have changed between a loss year and the year for which the deduction is claimed, refer to Section 11-507(2)(b) of the NYC Administrative Code and 19 RCNY Section 28-06(c)(3).

**LINE 12**

Multiply the percentage on line 11 by the amount on line 8. The excess, if any, of the amount on line 8 over the amount entered on line 12 is considered absorbed and is not available as a carry-over to another year.

**SCHEDULE G*****Additional Required Information***

All questions in this schedule (questions 1 through 11) must be answered.

**CUSTOMER ASSISTANCE**

For interest calculations and account information, contact Customer Assistance, Monday through Friday, 8:30am to 5:30 pm.

Call: **212-504-4036**

You can speak to a Customer Assistance Representative between the hours of 9:00 am and 4:30 pm.

You can also visit our Internet website at:

**[nyc.gov/finance](http://nyc.gov/finance)**

**PRIVACY ACT NOTIFICATION**

The Federal Privacy Act of 1974, as amended, requires agencies requesting Social Security Numbers to inform individuals from whom they seek this information as to whether compliance with the request is voluntary or mandatory, why the request is being made and how the information will be used. The disclosure of Social Security Numbers for taxpayers is mandatory and is required by section 11-102.1 of the Administrative Code of the City of New York. Such numbers disclosed on any report or return are requested for tax administration purposes and will be used to facilitate the processing of tax returns and to establish and maintain a uniform system for identifying taxpayers who are or may be subject to taxes administered and collected by the Department of Finance, and, as may be required by law, or when the taxpayer gives written authorization to the Department of Finance for another department, person, agency or entity to have access (limited or otherwise) to the information contained in his or her return.

# WORKSHEET FOR PARTIAL EXEMPTION

A LIST EACH ASSET OF THE TAXPAYER (ATTACH ADDITIONAL SHEETS IF NECESSARY)	B AVERAGE VALUE IN MONTH 1	C AVERAGE VALUE IN MONTH 2	D AVERAGE VALUE IN MONTH 3	E AVERAGE VALUE IN MONTH 4	F AVERAGE VALUE IN MONTH 5	G AVERAGE VALUE IN MONTH 6	H AVERAGE VALUE IN MONTH 7	I AVERAGE VALUE IN MONTH 8	J AVERAGE VALUE IN MONTH 9	K AVERAGE VALUE IN MONTH 10	L AVERAGE VALUE IN MONTH 11	M AVERAGE VALUE IN MONTH 12	N - TOTAL OF COLUMNS B - M DIVIDED BY 12 OR THE NUM- BER OF MONTHS FOR A TAX YEAR OF LESS THAN 12 MONTHS
1. REAL PROPERTY ASSETS NOT HELD FOR SALE TO CUSTOMERS OR AS INVENTORY													
2. TANGIBLE PERSONAL PROPERTY NOT HELD FOR SALE TO CUSTOMERS OR AS INVENTORY													
3. STOCKS, SECURITIES, DERIVATIVE FINANCIAL INSTRUMENTS, FOREIGN CURRENCIES, OPTIONS, FORWARD AND FUTURES CONTRACTS NOT HELD FOR SALE TO CUSTOMERS OR AS INVENTORY (EXCLUDING OBLIGATIONS HELD AS A FACTOR, OBLIGATIONS ACQUIRED IN THE ORDINARY COURSE OF BUSINESS FOR FUNDS LOANED, SERVICES RENDERED OR PROPERTY SOLD OR RENTED AND EXCLUDING INTERESTS IN OTHER UNINCORPORATED ENTITIES);													
4. INTERESTS IN UNINCORPORATED ENTITIES NOT ENGAGED IN AN UNINCORPORATED BUSINESS IN NEW YORK CITY;													
5. INTERESTS IN UNINCORPORATED ENTITIES ENGAGED IN AN UNINCORPORATED BUSINESS IN NEW YORK CITY HELD BY THE TAXPAYER AS AN INVESTOR;													
6. TOTAL OF COLUMN (N), LINES 1-5:													
7. ALL OTHER ASSETS OF THE TAXPAYER:													
8. TOTAL OF COLUMN (N), LINES 6 AND 7:													
9. COLUMN (N), LINE 6 DIVIDED BY LINE 8:													

IF COLUMN (N), LINE 9 IS LESS THAN .90, YOU ARE NOT ELIGIBLE FOR THE PARTIAL EXEMPTION. IF COLUMN (N), LINE 9 IS .90 OR MORE, YOU ARE ELIGIBLE FOR THE PARTIAL EXEMPTION