

Instructions for Form NYC-1A

FINANCE
NEW YORK



Combined Banking Corporation Tax Return For fiscal years ending in 1998 or for calendar year **1997**

GENERAL INFORMATION

(Additional instructions are on Form NYC-1.)

In general, each banking corporation or bank holding company is a separate taxable entity and must file its own tax return. However, a group of banking corporations and bank holding companies may be permitted or required to file a combined return to properly reflect the tax liability of such corporations under the Banking Corporation Tax Law. In all cases where a combined return is permitted or required, a combined tax return must be filed on Form NYC-1A. In addition, a separate tax return must be filed by each corporation in the combined group on Form NYC-1 and attached to Form NYC-1A.

If the parent corporation is not included in the group of banking corporations and bank holding companies filing a combined return, then one of the group's corporations shall be designated as the parent for purposes of completing Form NYC-1A. This designated parent must be used in all subsequent years in which the group continues to file a combined return, unless the group has received the permission of the Department of Finance to designate a different parent for the combined return.

WHO MAY FILE FORM NYC-1A

A. CORPORATIONS REQUIRED TO FILE A COMBINED RETURN

A banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity is required to file a combined return with the following:

- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and which owns or controls, directly or indirectly, 80% or more of its voting stock; and
- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and in which it owns or controls, directly or indirectly, 80% or more of the voting stock.

However, a banking corporation or bank holding company doing business in New York City in a corporate or organized capacity which meets the 80% or more stock ownership requirement may be excluded from a combined return if the corporation or the Department of Finance shows that the inclusion of such a corporation in the combined return fails to properly reflect the tax liability of such corporation.

Tax liability may be deemed to be improperly reflected because of intercorporate transactions (*refer to Intercorporate Transactions on page 2*) or some agreement, understanding, arrangement or transaction whereby the activity, business, income or assets of the corporation within New York City is improperly or inaccurately reflected.

A banking corporation or bank holding company which seeks to be excluded from a combined return may be permitted to do so in the discretion of the Department of Finance.

B. CORPORATIONS THAT MAY BE PERMITTED OR REQUIRED TO FILE A COMBINED RETURN

A banking corporation or bank

holding company which meets any of the 65% or more stock ownership requirements described below may be permitted or required to file a combined return only if the Department of Finance determines that such filing is necessary to properly reflect the tax liability of such corporation or other corporations.

A banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity may be permitted or required to file a combined return with the following:

- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and which owns or controls, directly or indirectly, 65% or more of its voting stock; and
- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

A banking corporation or bank holding company which is **not** doing business in New York City in a corporate or organized capacity may be permitted or required to file or be included in a combined return with the following:

- any banking corporation or bank holding company which is doing business in New York City in a corporate or organized capacity and which owns or controls, directly or indirectly, 65% or more of its voting stock; and
- any banking corporation or bank holding company which is doing

business in New York City in a corporate or organized capacity and in which it owns or controls, directly or indirectly, 65% or more of the voting stock.

The Department of Finance may permit or require the filing of a combined return by banking corporations or bank holding companies 65% or more of the voting stock of each of which is owned or controlled, directly or indirectly, by the same interest if at least one of such corporations is a taxpayer.

In making its determination whether a combined return is necessary in order to properly reflect the tax liability of any one or more of such corporations, the Department of Finance will first determine whether the group of corporations under consideration is engaged in a unitary business. In deciding whether a corporation is part of a unitary business, the Department of Finance will consider whether the activities in which the corporation engages are related to the activities of the other corporations in the group, or whether the corporation is engaged in the same or related lines of business as the other corporations in the group. It is presumed that corporations which are eligible to be included in a combined return meet the unitary business requirement.

A corporation engaged in a unitary business with one or more of the corporations in the group may be permitted or required to file a combined return where the Department of Finance determines that:

- such corporation has intercorporate transactions (*refer to Intercorporate Transactions, below*) with one or more of the corporations in the group which cause the improper reflection of the activity, business, income or assets within New York City of one or more of the corporations;

or

- such corporation has an agreement, understanding, arrangement or transactions with one or more of the corporations in the group which cause the improper reflection of the activity, business, income or assets within New York City of one or more of the corporations.

C. CORPORATIONS THAT CANNOT BE INCLUDED IN A COMBINED RETURN

- A corporation which elected under Section 11-640(d) of the Administrative Code to be taxed under Subchapter 2 of Chapter 6, Title 11 of the Administrative Code (General Corporation Tax) for those years such election is in effect
- A banking corporation or bank holding company whose accounting period differs from the accounting period adopted by the combined group
- A banking corporation or bank holding company which does not meet the 65% or more stock ownership requirement

D. ALIEN CORPORATIONS

- A banking corporation or bank holding company organized under the laws of a country other than the United States may not file a combined return with a banking corporation or bank holding company organized under the laws of the U.S., New York State or any other state. An alien corporation can only be included in a combined return with other alien corporations.

INTERCORPORATE TRANSACTIONS

In deciding whether there are intercorporate transactions which

cause the improper reflection of the tax liability of a corporation within New York City, the Department of Finance will consider transactions directly connected with the business conducted by the corporations, such as:

- performing services for other corporations in the group,
- providing funds to other corporations in the group, or
- performing related customer services using common facilities and employees.

Service functions will not be considered when they are incidental to the business of the corporation providing the services. Service functions include, but are not limited to, accounting, legal and personnel services. It is not necessary to have intercorporate transactions between any one member with every other member of the group. It is, however, essential that each corporation have intercorporate transactions with one other combinable corporation or with the combined group of corporations.

CHANGE IN COMPOSITION OF A COMBINED GROUP

If a banking corporation or bank holding company has been required or permitted to file a combined return, the corporation must continue to file a combined return until the facts affecting its combined reporting status materially change.

For tax periods ending on or after December 31, 1997, advance permission to file on a combined basis is not required. Provided all of the information required to be submitted on page 4 of the Form NYC-1A and on the Combined Group Information Schedule is submitted, a group of corporations meeting the requirements set forth above (**WHO MAY FILE FORM NYC-1A, B. CORPORATIONS THAT MAY BE**

PERMITTED OR REQUIRED TO FILE A COMBINED RETURN) is deemed to have tentative permission to file on a combined basis, however, the combined filing is subject to revision or disallowance on audit. This return will not be considered complete unless all of the information required is submitted.

WHERE AND WHEN TO FILE

This return must be filed by calendar year taxpayers for the calendar year ended December 31, 1997, and by fiscal year taxpayers within two and one-half months after the close of the reporting period. An automatic extension of time to file the tax return may be obtained by filing Form NYC-6B and paying the properly estimated tax. Mail returns to:

**N.Y.C. Department of Finance
Box 3921 Church Street
Station
New York, NY 10008**

SPECIFIC INSTRUCTIONS

Computation of Combined Tax

A. CORPORATIONS ORGANIZED UNDER THE LAWS OF A COUNTRY OTHER THAN THE U.S.

- Each corporation included in the combined return is required to compute entire net income, alternative entire net income, and issued capital stock on Form NYC-1 as if it had filed its federal income tax return on a separate basis.
- In computing allocated combined issued capital stock (Schedule M), intercorporate eliminations are not allowed. Percentage in New York City (Schedule N, line 49a) and allocated issued capital stock (Schedule N, line 49b) must be computed separately for each corporation included in the

combined return.

B. CORPORATIONS ORGANIZED UNDER THE LAWS OF THE U.S. OR ANY OF ITS STATES

- Each corporation included in the combined return is required to compute entire net income, alternative entire net income and taxable assets on Form NYC- 1 as if it had filed its federal income tax return on a separate basis.

When computing combined entire net income (Schedule K, line 36) and combined alternative entire net income (Schedule L, line 40) on Form NYC-1A, intercorporate dividends and intercorporate transactions between the corporations included in the combined return must be eliminated. Intercorporate profits are deferred, capital losses are to be offset against capital gains and contributions are to be deducted as if the corporations in the group had filed a consolidated federal income tax return.

When computing combined taxable assets (Schedule M, line 44) on Form NYC-1A, intercorporate stockholdings and intercorporate bills, notes, and accounts receivable and payable and other intercorporate indebtedness between the corporations included in the combined return must be eliminated.

Combined taxable assets do not include the taxable assets of a corporation that has an outstanding net worth certificate issued to the Federal Savings and Loan Insurance Corporation in accordance with Section 406(f) (5) of the Federal National Housing Act, as amended, (12 USC 1729(f) (5)) or issued to the Federal Deposit Insurance Corporation in accordance with Section 13(i) of the Federal Deposit Insurance Act, as amended, (12 USC 1823(i)) for that portion of the taxable year such certificate is outstanding.

Combined groups with more than three members must attach a rider for each such additional member providing the amounts of lines 36 through 50 of Schedules K, L, M and N. Such amounts must be included within the total shown in column A of Schedules K, L, M and N.

Riders must be attached to the return setting forth all intercorporate eliminations. The rider must clearly show the amount of the intercorporate transactions and identify the corporations involved in each transaction.

Computation of Combined Allocation Percentages

A. CORPORATIONS ORGANIZED UNDER THE LAWS OF A COUNTRY OTHER THAN THE U.S.

- Each corporation included in the combined return must compute the entire net income allocation percentage, alternative entire net income allocation percentage and issued capital stock allocation percentage on Form NYC-1 as if it had filed its federal income tax return on a separate basis.

B. CORPORATIONS ORGANIZED UNDER THE LAWS OF THE U.S. OR ANY OF ITS STATES

- Each corporation included in the combined return must compute the entire net income allocation percentage, alternative entire net income allocation percentage and taxable assets allocation percentage on Form NYC-1 as if it had filed its federal income tax return on a separate basis.

When computing the combined allocation percentages (Schedule J) on Form NYC-1A, the payroll, receipts and deposits factors in each allocation percentage are computed as though the corporations included in the combined return were one

corporation. Intercorporate dividends and all other intercorporate transactions including intercorporate receipts and intercorporate deposits between the corporations included in the combined return are eliminated.

Combined groups with more than three members must attach a rider for each such additional member providing the amounts of lines 1 through 35 of Schedule J. Such amounts must be included within the total shown in column A of Schedule J.

Riders must be attached to the return setting forth all intercorporate eliminations. The rider must clearly show the amount of the intercorporate transactions and identify the corporations involved in each transaction.

Minimum Tax

Each corporation included in the combined return, other than the taxpayer paying the combined tax, is required to pay the minimum tax of \$125.00. When the fixed minimum tax (Schedule A, line 4) is the combined tax of the group (Schedule A, line 5), this fixed minimum tax must be paid in addition to the amount of the combined fixed minimum tax for subsidiaries (Schedule A, line 6). A corporation which would not otherwise be taxable in New York City except for its inclusion in a combined return is not required to pay the minimum tax of \$125.00.

IBF Adjustment to Entire Net Income, Alternative Entire Net Income and Allocation Percentages

If any corporation in a combined return modified entire net income and alternative entire net income pursuant to Section 11-641(f), all corporations in the combined return are deemed to have made such modification and are required to compute entire net income, alternative entire net income and the allocation percentages accordingly. If any corporation in a combined return computed entire net income and alternative entire net income pursuant to Section 11-642(b)(2), all corporations in the combined return are deemed to have made such election and are required to compute entire net income, alternative entire net income and the allocation percentages accordingly.

COMBINED GROUP INFORMATION SCHEDULE

All of the information required on this schedule must be submitted for this return to be considered complete. Failure to provide any information requested will result in correspondence and may result in the filing on a combined basis by this group of corporations being revised or disallowed.