



FINANCE
NEW • YORK

NYC
221

NEW YORK CITY DEPARTMENT OF FINANCE
**UNDERPAYMENT OF ESTIMATED
UNINCORPORATED BUSINESS TAX**

1997

For CALENDAR YEAR 1997 or FISCAL YEAR beginning _____ and ending _____

ATTACH TO YOUR TAX RETURN

Print or Type ▼

Name

SOCIAL SECURITY NUMBER

□ □ □ □ - □ □ □ □ □ □

OR

EMPLOYER IDENTIFICATION NUMBER

□ □ □ □ - □ □ □ □ □ □ □ □ □ □

Computation of Underpayment

1. 1997 tax (from NYC-202, Schedule A, line 21, or or NYC-204, Schedule A, line 21)	1.	
2. Credits (from NYC-202, Schedule A, lines 22a and 22b, or NYC-204, Schedule A, lines 22, 24a and 24b)	2.	
3. Line 1 less line 2	3.	
4. 90% of line 3	4.	

Enter quarterly due dates of installments →	1 - FIRST	2 - SECOND	3 - THIRD	4 - FOURTH
	□ □ □ □ 19 □ □	□ □ □ □ 19 □ □	□ □ □ □ 19 □ □	□ □ □ □ 19 □ □
5. Divide amount of line 4 by the number of installments required for the year. Enter the result in the appropriate columns	5.			
6. Amount paid or credited for each period	6.			
7. Overpayment of previous installment (see instructions)	7.			
8. Total of lines 6 and 7	8.			
9. Overpayment (line 8 less line 5)	9.			
10. Underpayment (line 5 less line 8)	10.			

→ COMPUTATION CONTINUES ON PAGE 2

Exceptions that Avoid the Underpayment Penalty

Total cumulative amount paid or credited from the beginning of the taxable year through the installment dates that correspond to the 15th day of the 4th, 6th and 9th months of the taxable year and the 15th day of the first month of the succeeding taxable year.....

- ▲ EXCEPTION 1 - Prior year's tax (1996) \$ (see instructions)
- ▲ EXCEPTION 2 - Tax on prior year's facts and law using 1997 rates (attach computation) (see instructions)
- ▲ EXCEPTION 3 - Tax on annualized 1997 income (attach computation) (see instructions)
- ▲ EXCEPTION 4 - Tax on 1997 income over 3-, 5- and 8-month periods (attach computation) (see instructions)
- ▲ EXCEPTION 5 - Tax on recurring seasonal income (attach computation) (see instructions)

	1 - FIRST QUARTER	2 - SECOND QUARTER	3 - THIRD QUARTER	4 - FOURTH QUARTER
25% of 1996 tax		50% of 1996 tax	75% of 1996 tax	100% of 1996 tax
Enter 25% of tax	Enter 50% of tax	Enter 75% of tax	Enter 100% of tax	
Enter 22.50% of tax	Enter 45% of tax	Enter 67.50% of tax		
Enter 90% of tax	Enter 90% of tax	Enter 90% of tax		

C o m p u t a t i o n o f P e n a l t y

1 - FIRST _____ _____ 19 _____	2 - SECOND _____ _____ 19 _____	3 - THIRD _____ _____ 19 _____	4 - FOURTH _____ _____ 19 _____
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11. Enter the date of payment or the 15th day of the 4th month after the close of the taxable year, whichever is earlier11.				
12. Number of days from due date of installment to the date shown on line 1112.				
13. Number of days on line 12 after 4/15/97 and before 7/1/9713.				
14. Number of days on line 12 after 6/30/97 and before 10/1/9714.				
15. Number of days on line 12 after 9/30/97 and before 1/1/9815.				
16. Number of days on line 12 after 12/31/97 and before 4/1/9816.				
17. Number of days on line 12 after 3/31/98 and before 7/1/9817.				
18. Number of days on line 12 after 6/30/98 and before 10/1/9818.				
19. Number of days on line 12 after 9/30/98 and before 1/1/9919.				
20. Number of days on line 12 after 12/31/98 and before 4/1/9920.				
21. Number of days on line 12 after 3/31/99 and before 4/15/99.....21.				
22. <u>Number of days on line 13 x 9% x amount on line 10</u> 36522.				
23. <u>Number of days on line 14 x 9% x amount on line 10</u> 36523.				
24. <u>Number of days on line 15 x 9% x amount on line 10</u> 36524.				
25. <u>Number of days on line 16 x * % x amount on line 10</u> 36525.				
26. <u>Number of days on line 17 x * % x amount on line 10</u> 36526.				
27. <u>Number of days on line 18 x * % x amount on line 10</u> 36527.				
28. <u>Number of days on line 19 x * % x amount on line 10</u> 36528.				
29. <u>Number of days on line 20 x * % x amount on line 10</u> 36529.				
30. <u>Number of days on line 21 x * % x amount on line 10</u> 36530.				
31. Add lines 22 through 3031.				
32. To complete this line, refer to the instructions for line 32.....32.				
33. Add line 31 (and line 32, if applicable) columns 1 through 4. Enter total and transfer amount to Form NYC-202, Schedule A, line 28c or Form NYC-204, Schedule A, line 30c (see instructions for line 32)..... 33.				

* FOR THE APPLICABLE RATE OF INTEREST AFTER 12-31-1997, CALL (718) 935-6000.

PURPOSE OF FORM

Form NYC-221 will enable taxpayers subject to the Unincorporated Business Tax to determine if they paid the correct amount of estimated tax by the proper due date. If the minimum amount was not paid timely, an underpayment penalty may be imposed for the period underpaid. This form helps you to determine whether or not you are subject to this penalty.

ESTIMATED TAX

Every taxpayer subject to the Unincorporated Business Tax must file a Declaration of Estimated Tax (Form NYC-5UB for partnerships and Form NYC-5UBTI for all other taxpayers) if for taxable years beginning after 1996, its estimated tax can reasonably be expected to exceed \$1,800. The due date for the declaration and the dates for paying the installments of estimated tax depend upon when the requirements for making a declaration are first met. *(Refer to Form NYC-5UB or Form NYC-5UBTI for details.)*

NOTE

If any date falls on a Saturday, Sunday or legal holiday, substitute the next regular workday.

EXCEPTIONS THAT AVOID THE UNDERPAYMENT PENALTY

No penalty will be imposed for an underpaid installment on line 10 if the total amount of all payments made by the installment date equals or exceeds any amount determined for the same period under any of the following exceptions. *(Refer to Section 11-525 of the NYC Administrative Code.)*

A different exception may be applied to each underpayment. If no exception applies, complete lines 11 through 31 to determine the amount of the penalty.

NOTE

Large unincorporated businesses (those which had unincorporated business taxable income or entire net income of \$1 million or more in any of the three years immediately preceding the current year) may not use exceptions 1 or 2. Such unincorporated businesses may only use the exceptions 3, 4 and 5.

Exception 1

Prior Year's Tax

This exception applies if a taxpayer paid estimated taxes equal to the tax reported on its 1996 return. To qualify for

this exception, the taxpayer must have filed an income tax return showing a tax liability for the preceding taxable year, and that taxable year consisted of 12 months.

Exception 2

Tax Based On Prior Year's Facts and Law Using Current Year's Rates

This exception applies if a taxpayer paid an amount of estimated tax computed by applying the current year's rates to facts shown on the return for, and under the law applicable to, the preceding taxable year.

Exception 3

Tax On Annualized Income

This exception applies if a taxpayer made an estimated tax payment of at least 90% of the amount it would owe if its estimated tax were a tax computed on annualized taxable income for the months preceding an installment date.

A taxpayer may annualize its income:

- a) for the first 3 months if the installment was required to be paid in the 4th month;
- b) for the first 5 months if the installment was required to be paid in the 6th month; and

- c) for the first 8 months if the installment was required to be paid in the 9th month.

To annualize, multiply taxable income for the period by 12 and divide the resulting amount by the number of months in the period (3, 5, or 8, as the case may be). *(Refer to Section 11-525(d) (1) (C).*

Exception 4

Tax on 1997 Income Over Periods of 3, 5 and 8 Months

This exception applies if a taxpayer's estimated tax payments equal or exceed 90% of the tax on its taxable income for the periods starting from the beginning of the taxable year to the end of the month preceding that in which an installment is due. To see if this exception applies, a taxpayer should figure the taxable income from the beginning of the taxable year to the end of the month preceding that in which an installment is due and then compute the tax on that amount as though it represented the taxable income for 1997. *(Refer to Section 11-525(d) (1) (C).*

Exception 5

Additional Exception For Recurring Seasonal Income

This exception applies to an unincorporated business with recurring seasonal income. Under this exception, income may be annualized by assuming that income earned in the current year is earned in the same seasonal pattern as in the 3 preceding tax years.

(For information about computing this exception, refer to Section 11-525(d) (1) (D) of the NYC Administrative Code. Attach your computation to the form.)

LINE 7

OVERPAYMENT OF PREVIOUS INSTALLMENT

An overpayment on line 9 in excess of prior underpayments is to be applied as a credit against the next installment. A payment of estimated tax on any installment date is considered a payment of any previous underpayment only to the extent that the payment exceeds the amount of the installment as computed on line 9.

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COMPUTATION OF PENALTY

If no exception applies, complete lines 11 through 33 to determine the amount of the penalty for each installment. If you made more than one payment for a given installment, attach a separate computation for each payment. The penalty is computed for the period of underpayment, line 12, at a rate set periodically by the New York City Department of Finance. For information as to the applicable rate after December 31, 1997, or any other rate of interest, call Taxpayer Assistance at:

(718) 935 - 6000

LINE 32

PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX

In columns 1 through 4 of line 32, for those installment payments (line 8) that equal 80% or more of line 3 divided by 4, multiply the penalty shown in each applicable column by 75%. Enter this result in the applicable column on line 32. Combine these revised amounts with the remaining amounts on line 31 and enter the total on line 33.