

Instructions for Form CR-A

FINANCE
NEW YORK
THE CITY OF NEW YORK
DEPARTMENT OF FINANCE



Commercial Rent Tax Annual Return Applicable for tax year June 1, 1996 to May 31, 1997 ONLY

IMPORTANT CHANGES

- Beginning June 1, 1996, a 25% rent reduction is allowed in computing base rent. Taxpayers whose annual base rent after the 25% reduction is less than \$40,000 are no longer subject to the Commercial Rent Tax.
- In computing base rent, all rent received from subtenants is deductible by the prime tenant, even if the subtenant's rent is below \$40,000.
- Beginning September 1, 1995, the Commercial Rent Tax is repealed with respect to rent paid for all premises located north of the center line of 96th Street in Manhattan, and the boroughs of The Bronx, Brooklyn, Queens and Staten Island.
- A tax credit is allowed for taxpayers whose annual base rent is at least \$40,000, but is less than \$60,000. The tax credit is incorporated into the tax rates on page 1.
- Rents paid for theatres housing theatrical productions commencing after June 1, 1995 are exempt from tax for the first 52 weeks.

GENERAL INFORMATION

FORMS TO BE USED AND PERIODS COVERED

An annual return (CR-A) is required to be filed by every tenant, even tenants with no tax liability, on or before June 20, covering the preceding year from June 1 to May 31. *Exception:* Form CR-A is not required if your aggregate annual rent for all taxable premises, before deductions and reductions, is \$15,000 or less. Taxpayers in this category should check box # 2 on page 1 of Form CR-A, sign and return the form for informational purposes only. No further information is required.

Quarterly returns must be filed for each three-month period ending on the last day of August, November and February of each tax year within 20 days after the end of each such period. A quarterly return must be filed by every tenant whose annual base rent, or annual rent before deductions, is at least \$40,000. A quarterly return also must be filed by every tenant who subleases all or

any part of the premises to another person or entity whose annual rent before deductions is more than 15,000. Where the base rent of the tenant is for a period of less than one year, the base rent is determined as if it had been on an equivalent basis for the entire year.

If a tenant ceases to do business, the tax is due immediately, and the tenant must file a final return for the entire year (Form CR-A) within 20 days after the date the tenant ceases to do business, unless the tenant continues to pay rent for the taxable premises, in which case the tenant must continue to file returns and pay the tax.

If a tax return or payment is delivered to the Department of Finance by U.S. mail after the due date, the date of the U.S. Postal Service postmark stamped on the envelope will be considered the date of delivery, provided the postmark date falls on or before the due date including any extension and the return was deposited in the mail, postage prepaid and properly addressed. Non-U.S. Postal Service postmarks will also be recognized, provided delivery to the Department of Finance occurs within five days of the postmark date. If the five-day limit is exceeded, the taxpayer must establish:

- a) that the item was actually deposited in the mail by the due date;
- b) that the delay in receipt was due to a delay in the transmission of the mail; and
- c) the cause of the delay.

If the due date falls on a Saturday, Sunday or legal holiday, the due date is extended to the next succeeding business day.

WHO IS A TENANT

A tenant is a person who pays or is required to pay rent for a premise as a lessee, sublessee, licensee or concessionaire. No tax return need be filed if the individual or the business entity owns the business premises. The tax form should be returned to the Department of Finance stating the owner's name and address, Employer Identification Number or Social Security Number, the address of the property and the block and lot number as shown on the real estate tax bill. Shareholders in cooperative corporations are not considered "owners of record."

The following situations do not exempt the tenant from tax:

- a) where a building is owned, not by a tenant but by a spouse or parent of the tenant;
- b) where a building is owned by the tenant jointly or in common with another person, other than a spouse;
- c) where a building is owned by a corporation of which the tenant is an officer or holder of all or part of the corporate stock;
- d) where the tenant is a corporation and building is owned by a subsidiary corporation or by a parent corporation;
- e) where the tenant is a corporation and the building is owned by an officer or stockholder of the corporation.

TAXABLE PREMISES

Taxable premises are premises used or intended to be used to carry on any trade, business, professional, vocational or commercial activity, including premises used solely for the purpose of renting the same in whole or in part to subtenants. Taxable premises include a specific part of particular space in a warehouse rented for the storage of goods, or in a garage, parking lot or parking area rented for the parking of motor vehicles, in connection with the tenant's conduct of business or professional activity; also included is a safe deposit box or locker or beach cabana if used for business purposes.

WHAT CONSTITUTES RENT

Rent is the consideration paid or required to be paid by a tenant for the use or occupancy of premises, valued in money, whether received in money or otherwise, including all credits, property, or services of any kind, as well as any payment required to be made by a tenant on behalf of the landlord for real estate taxes, water and sewer charges, or any other expenses (including insurance) normally payable by a landlord who owns the realty, other than expenses for the improvement, repair or maintenance of the tenant's premises.

Tenant shareholders in cooperative buildings should calculate the amount of rent subject to tax as provided in Section 7-01 "Rent" of the Commercial Rent Tax Rules (Title 19 Rules of the City of New York, Ch. 7).

If a tenant uses two or more taxable locations in the same building at the same time, the total rent paid for all such locations constitutes rent paid for one taxable premise.

WHAT CONSTITUTES BASE RENT

Base rent is generally the rent paid for each taxable premises by a tenant to the landlord for a period, less the amounts received by or due such tenant for the same period from any subtenant of any part of the premise.

(See instructions to line 4, Rent from Subtenant(s))

NOTE: Base rent paid by a tenant for one taxable premise cannot be reduced by deducting subtenants rents received by that tenant for another taxable premise of which he is also a tenant.

For a more detailed discussion of deductions in calculating base rent, refer to Section 11-704 of the NYC Administrative Code and Section 7-01 "Base Rent" and 7-03 of the Commercial Rent Tax Rules (Title 19 Rules of the City of New York, Ch. 7).

EXEMPTIONS

The following are exempt from payment of the Commercial Rent Tax:

- 1) a tenant whose annual or annualized base rent for the tax year is less than \$40,000. The annualized base rent for a period of less than one year is determined as if the rent had been paid on an equivalent basis for an entire year.
- 2) a tenant who uses his premises for 14 days or less (whether or not consecutive) in a tax year, and is not required to pay rent for a longer period;
- 3) a tenant (other than the operator of a hotel, apartment hotel or lodging house) who uses premises for residential renting to others to the extent of 75% or more of the rentable floor space;
- 4) a tenant who uses premises for certain dramatic or musical arts performances for less than four weeks where the performances are not intended to continue for less than four weeks.
- 5) A tenant who uses taxable premises for the production and performance of a theatrical work is exempt from the tax with respect to the rent paid for the taxable premises for a period not exceeding 52 weeks from the date production commenced. **This exemption applies only to productions commencing after June 1, 1995.** For purposes of

this exemption, production will be considered to commence on the date public performances begin; and

- 6) various governmental bodies, the U.N., and nonprofit, religious, charitable, and educational organizations. Other nonprofit organizations may not be subject to the tax. For more information, see Section 7-04 through 7-06 of the Commercial Rent Tax Rules (Title 19 Rules of the City of New York, Ch. 7).

COMBINED BUSINESS/ RESIDENTIAL USE

Where a tenant pays an undivided rent for premises used both for residential and business purposes, the tax applies to that part of the rent that is attributable to the part of the premises used for business purposes. In such a case, the rent attributable to business use is the amount which the tenant deducts as rent for the premises for federal income tax purposes.

CHANGE OF BUSINESS INFORMATION

Correct any errors in printed name, address and Account ID number. Enter the business code applicable to your business as used on the federal return.

WHEN AND WHERE TO FILE

File your return within 20 days after the close of the period covered by this return. Penalty and interest will be assessed for returns filed late. The return should be mailed to:

NYC Department of Finance
P.O. Box 3213
Church Street Station
New York, NY 10242-0323

HOW TO COMPLETE ANNUAL TAX FORM CR-A

- Complete this return by beginning on page 2.
- Complete the entire schedule for each premises.
- If you rent more than three premises or have more than one subtenant, attach an additional schedule.

SPECIFIC INSTRUCTIONS

PAGE 2

Computation of Base Rent

Round off amounts to the nearest whole dollar.

LINE 1 - TAXABLE PREMISES

Enter address and zip code of each taxable premises. If you have more than 3 such premises, make copies of page 2 or attach a schedule giving the same information required by the form showing figures and computations clearly. Make sure the copies of the schedule bear the taxpayer's name, address, period covered by the return, Account ID Number, and Employer Identification Number (for corporations or partnerships) or Social Security Number (if a sole proprietorship).

LINE 2 - GROSS RENT PAID

Enter the gross rent for each premises.
(Refer to "What Constitutes Rent," page 1.)

NOTE: Do not include any premises located in Manhattan, north of the center line of 96th Street, or any premises located in the boroughs of The Bronx, Brooklyn, Queens and Staten Island.

If your gross rent is based on a percentage of receipts from sales at the premises, exclude the excess of 15% of those receipts. If you rent an entire apartment, hotel suite, or other accommodation that you use or occupy for commercial activities and claim as a business deduction, the full amount of the rent must be entered. If you pay a single rent to one lessor for two or more taxable premises, see Section 7-01 "Allocation of single rent for two or more taxable premises" of the Commercial Rent Tax Rules (Title 19 Rules of the City of New York, Ch. 7) for the method to be used to allocate rent among the taxable premises.

LINE 3 - RESIDENTIAL RENT

If you use your home for business and residential purposes, enter here the amount of the rent attributable to residential use only. It is presumed that the amount you claimed as a business deduction for rent on your federal income tax return is the amount of rent attributable to business use of the premises.

LINE 4 - RENT FROM SUBTENANT(S)

Enter here amounts paid or due to you as rent from any subtenant. In computing base rent, rent received from a subtenant subject to the tax, and rent received from a tenant

that is a governmental entity, the UN, or a nonprofit religious, charitable or educational entity exempt from the tax, may be deducted by a prime tenant.

NOTE: In computing base rent, rents received from subtenants whose annual rent is less than \$40,000 may be deducted by a prime tenant.

Also enter the subtenant's name, Employer Identification Number (for corporations or partnerships) or Social Security Number (if a sole proprietorship). Note that such rents may be deducted only from the gross rent of the premises which the subtenant occupies and may not be applied against any other premises rented by the taxpayer.

If you have more than one subtenant, make copies of page 2 or attach a schedule giving the same details as required on page 2.

In entering amounts paid by subtenants whose rent is based on a percentage of sales receipts, exclude the amount in excess of 15% of those receipts.

Amounts received by a garage or parking lot operator for allowing the parking of a vehicle anywhere on his premises is not deductible unless:

- a) a particular space has been permanently assigned for the exclusive use of the tenant; and
- b) the vehicle is used for commercial purposes by the tenant; and
- c) a completed Certificate of Assigned Space Use has been taken from the tenant.

LINE 5 - OTHER DEDUCTIONS

Enter here any amounts included in the gross rent which are allowable as deductions, and detail such deductions on an attached schedule.

A tenant is also entitled to deduct from the base rent amounts paid by that tenant for the tenant's own use of premises:

- a) for railroad, air, or omnibus transportation purposes;
- b) as piers, in so far as they are used in interstate or foreign commerce;
- c) which are located in, on, above, or under a public place and are defined by law as special franchise property;
- d) which are advertising space or signs, vending machines, or newsstands in

subway or elevated railroad premises operated by the New York City Transit Authority when the rent is payable to the Transit Authority; or

- e) which is parking space subject to the additional 8% parking tax imposed under Administrative Code Section 11-2049.

If you are claiming a special reduction under the NYC Commercial Revitalization Program, attach a copy of either your Certificate of Abatement for Real Estate Tax, or your Certificate of Eligibility for Commercial Rent Tax Benefits. A separate Certificate must be attached for each premises for which the special reduction is claimed.

The NYC Commercial Revitalization Program (Lower Manhattan Plan) provides both Real Estate Tax and Commercial Rent Tax benefits with respect to qualifying leases of premises in the Title 4 abatement zone, defined generally as the area in Manhattan bounded by Murray Street and Frankfort Street on the north, and South Street, Battery Place and West Street on the east, south and west, respectively. Leases must be new, renewal or expansion leases with lease commencement dates between April 1, 1995 and March 31, 1998, and must meet minimum lease term and expenditure requirements. To be eligible for benefits, the premises must be located in a building constructed before 1975, and be used for either office or retail purposes.

**SPECIAL NOTE FOR
LINES 9 AND 12 CALCULATIONS**

For purposes of determining whether a tenant is exempt from tax because the base rent is below the minimum amount subject to tax, and whether the tenant is eligible for a tax credit, the tenant's base rent should be calculated after the 25% rent reduction but prior to the allowance of any special reduction allowed by this program.

For more information concerning eligibility requirements under the NYC Commercial Revitalization Program, call (212) 669-7216.

LINE 6 - TOTAL DEDUCTIONS

Add lines 3 through 5 and enter the total deductions in line 6.

LINE 7 - BASE RENT BEFORE 25% RENT REDUCTION

Subtract line 6 from line 2 to obtain the amount of your base rent before the 25% rent reduction.

LINE 8 - 25 % RENT REDUCTION
Multiply line 7 by 25% and enter on line 8.

LINE 9 - BASE RENT SUBJECT TO TAX

Subtract line 8 from line 7 to obtain the amount of your base rent subject to tax.

ANNUALIZATION OF BASE RENT

Complete lines 10 through 12 only if the amount shown on line 9 does not represent rent paid for a full year.

LINE 10 - MONTHS AT PREMISES

Enter the dates (month and year) that occupancy or use of such premises began and ended. Compute the number of months occupied or used to the nearest full month and enter.

LINE 11 - MONTHLY BASE RENT

Divide line 9 by line 10 (base rent subject to tax by number of months of use) to arrive at the average monthly base rent.

LINE 12 - ANNUALIZED BASE RENT

Multiply line 11 by 12 (months). This is your annualized base rent.

LINES 13 THROUGH 18 - RATE CLASSES A - F

- If lines 10 through 12 are not applicable, transfer the amount on line 9 to the appropriate rate class on lines 13 through 18.
- If lines 10 through 12 are applicable, then transfer the amount on line 9 (**not the amount on line 12**) to the rate class that corresponds to the amount on line 12.

PAGE 1

Computation of Tax

LINES 1 THROUGH 6 - COMPUTATION OF TAX DUE

Enter the number of taxable premises you have occupied or used during the tax period in the appropriate columns on lines 1 through 6.

Enter on lines 1 through 6, whichever applies, your base rent totals for all premises in each class calculated on lines 13 through 18 from page 2. Multiply "total base rent" on line 1 through 6 by the corresponding tax rate and enter the result in the column under "tax due."

LINE 7

Add lines 1 through 6 and enter the total on line 7.

LINE 8 - ENERGY COST SAVINGS CREDIT

Enter the Energy Cost Savings (ECS) credit available to energy users certified as eligible by the New York City Department of Business Services and suppliers of fuel services. Attach Form NYC-ECS if claiming the ECS credit.

If the total available credit from Form NYC-ECS exceeds the tax shown on line 7, enter only that portion of the allowable credit that reduces the balance to zero. The excess credit must be carried forward to future tax periods or applied to other eligible taxes.

LINE 9 - SUBTOTAL

Subtract line 8 from line 7 and enter the result on line 9.

LINE 10 - PAYMENTS

Enter on line 10 the payments you have previously made with your quarterly returns (Forms CR-Q).

LINE 11 - BALANCE DUE

Deduct line 10 from line 9. The result will be:

- a) your balance of tax due for the tax year, which you will enter on line 11; or
- b) your overpayment, if line 10 is greater than line 9, which you will enter on line 13.

LINE 12 - INTEREST/ADDITIONAL CHARGES

Enter any interest and/or penalty on line 12.

Interest

If the tax due with a quarterly return is not filed with the Department of Finance on or before the due date of the quarterly return, interest must be paid on the amount of the underpayment from the due date until the earlier of (1) 20 days after the end of the tax year, or (2) the date as of which the tax paid for the year equals 75% of the full tax required to be paid for the tax year. The interest must be paid with the annual return. If the tax payable with the annual return is not paid by the due date, interest on the amount of the underpayment must be paid from the due date of the annual return to the date paid. For calculation of interest, call Taxpayer Assistance at: (718) 935-6000. Interest amounting to less than \$1 need not be paid.

Additional Charges

- a) A **late filing penalty** is assessed if you

fail to file an annual return 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 the annual return is filed more than 60 days late, the penalty imposed under *a* will not 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*.
- e) If a tenant, exempt from tax because the rent for the entire year is less than the applicable threshold amounts, fails to file an annual return, a penalty of \$100 is imposed.

LINE 13 - OVERPAYMENT/REFUND

Complete this line only if line 10 is greater than line 9

LINE 14 - TOTAL REMITTANCE DUE

1. To obtain the total amount due (line 14) add line 11 and line 12.
2. Make your check payable to the order of: **NYC DEPARTMENT OF FINANCE.**
3. Be sure that your name and Account ID Number appear on the face of the check.
4. Don't forget to sign your return.

TAXPAYER ASSISTANCE

If you have a tax-related question or problem, contact Taxpayer Assistance:

Call: (718) 935-6000

FOR RECORDED TAX INFORMATION CALL:

Citytax Dial at (718) 935-6736

PRIVACY ACT NOTIFICATION

The Federal Privacy Act of 1974, as amended, requires all agencies requesting Social Security Numbers to inform individuals from whom they seek information why the request is being made and how the information is used. The disclosure of Social Security Numbers is required by Sections 11-102.1 and 11-537 of the Administrative Code of the City of New York. Such numbers which are disclosed on any report or return are used for tax administration purposes, and as may be required by law, or when the taxpayer gives written authorization to this department for another department, person, agency or entity to have access (limited or otherwise) to the information contained in his/her return.