

FINANCE MEMORANDUM

**Transitional Filing Relief for Taxpayers
Affected by New York City's Corporate
Tax Reform Legislation**

Effective for tax years beginning on or after January 1, 2015, a new corporate tax applies to corporations and banks, other than federal S-corporations, that do business, employ capital, own or lease property, or maintain an office in New York City. The new tax is set forth in Subchapter 3-A of Chapter 6 of Title 11 of the Administrative Code of the City of New York, and the Department of Finance (the "Department") refers to it as the Business Corporation Tax.

This memorandum applies only to the new Business Corporation Tax. It provides background on the new forms that will be used, explains penalty relief for underpayments of estimated tax installments due for the 2015 tax year, and provides general information about the reasonable cause exception to other penalties that may be incurred in the 2015 tax year.

Background

An entirely new series of tax returns is required for the Business Corporation Tax. The tax returns for the General Corporation Tax and Banking Corporation Tax have been updated for the recent changes in law, and make clear that they may only be used by entities that are S-corporations and qualified subchapter S subsidiaries for federal income tax purposes.

The new tax returns for the Business Corporation Tax are denominated as follows:

Primary Forms

- Form NYC-2 and instructions (Business Corporation Tax Return) – must be used by individual corporations that file separately from any other related corporations under the Business Corporation Tax. It is currently available [here](#).
- Form NYC-2A and instructions (Combined Business Corporation Tax Return) – must be used by corporations that file a combined report under the Business Corporation Tax. The Department has not yet finalized the date that it will release this form.

Note: Because the Form NYC-2A has not yet been released the Department recommends that all taxpayers expecting to file this form request an extension of time to file their tax return, using the Form NYC-EXT (Application for Automatic Extension of Time to File Business Income Tax Returns).

Feeder Forms

- Form NYC-2.1 and instructions (Investment and Other Exempt Income and Investment Capital) – must be used by separate and combined filers that report investment income, other exempt income, and investment capital or stock that could or does generate other exempt income. Interest expense attribution is required regardless of whether the separate or combined filer has investment income or other exempt income. Net investment income and other net exempt income are computed regardless of whether the separate or combined filer generated gross amounts or not. It is currently available [here](#).
- Form NYC-2.2 and instructions (Subtraction Modification for Qualified Banks and Other Qualified Lenders) – must be used by separate and combined filers that report subtraction modifications pursuant to sections 11-652(8)(r), (s), or (t) of the Administrative Code of the City of New York (“Code”). It is currently available [here](#).
- Form NYC-2.3 and instructions (Prior Net Operating Loss Conversion (PNOLC) Subtraction) – must be used by separate and combined filers that report a prior net operating loss conversion subtraction under Code § 11-654.1(2). It is currently available [here](#).
- Form NYC-2.4 and instructions (Net Operating Loss Deduction) – must be used by separate and combined filers that report a net operating loss under Code § 11-654.1(3). It is currently available [here](#).
- Form NYC-2.5 and instructions (Computation of Receipts Factor) – must be used by separate and combined filers to report and compute their total receipts in New York City and everywhere. It is currently available [here](#).
- Form NYC-2A/BC and instructions (Member’s Detail Report) – must be used for each corporation included in Form NYC-2A to report specific elements of the tax computation for the combined group. This form has not yet been released.

Note: Because the Form NYC-2A has not yet been released, it is possible that additional feeder forms may be created for purposes of properly completing and filing that form.

Estimated Tax Penalty Relief and Reasonable Cause Information

The 2015 corporate tax reform legislation provides a grace period for declarations and payments of estimated tax due on or prior to June 15, 2015. Specifically, taxpayers are not be subject to a penalty for failing to file a declaration or underpaying estimated tax if they submitted their required declarations and payments by the next due date after June 15, 2015, together with all other declarations and payments then due. The Department of Finance (the “Department”) has determined that, in addition to the statutory grace period, it will not impose a penalty under Code § 11-676(3) for any underpayment of estimated tax due for the 2015 tax year under the Business Corporation Tax.

Separately, the Department will consider the availability of tax returns, instructions and administrative guidance to determine whether a taxpayer had reasonable cause under Code § 11-676(1) for a failure to file a tax return or pay tax due for the 2015 tax year under the Business Corporation Tax. To the extent applicable, the Department will also consider a taxpayer’s reliance on Chapters 3 and 11 of Title 19 of the Rules of the City of New York, draft rules for the Business Corporation Tax, and draft regulations and other administrative guidance published by the New York State Department of Taxation and Finance with respect to Article 9-A of the Tax Law.