

16-7 December 30, 2016

FINANCE MEMORANDUM

Changes to the Mandatory First Installment of Estimated Tax for Businesses Subject to the Business Corporation Tax

Legislative Changes to the MFI

Part Q of Chapter 60 of the Laws of 2016 amended the Administrative Code of the City of New York (Administrative Code) to require that corporations subject to the Business Corporation Tax use the second preceding year's tax as the basis for determining the applicability and amount of its mandatory first installment (MFI) payment obligation.

Corporations subject to the Business Corporation Tax under Administrative Code section 11-653 are required to pay an MFI of estimated tax if their tax after credits for the second preceding year exceeds \$1,000.¹

Corporations that do not have a second preceding tax year because a return was not required to be filed do not have to make an MFI payment. These corporations still must make a declaration of estimated tax, and pay the remaining three installments of estimated tax with form NYC-400, *Estimated Tax By Business Corporations and Subchapter S General Corporations*, in accordance with Administrative Code section 11-658.²

In addition, corporations must compute the MFI by multiplying the tax imposed for the **second preceding tax year** by:

- 25% if the Business Corporation Tax imposed for the **second preceding tax year** exceeded one thousand dollars.

These legislative changes apply to payments due on and after March 15, 2017.

Changes to how an MFI payment is made

Part Q also made changes to certain Business Corporation Tax due dates (see Finance Memorandum #16-6, *Amendments to Tax Return Due Dates*). However, no changes were made to the due dates for MFI payments. Corporations required to make MFI payments under Administrative Code section 11-658 continue to pay their MFIs on or before the 15th day of the 3rd month following the close of each tax year.

¹ For Example: A 2017 MFI payment for a calendar year taxpayer with a 2015 tax liability (the second preceding year) of \$10,000 (an amount exceeding one thousand dollars) would equal \$2,500 (25% of \$10,000) due on or before March 15.

² No changes have been made to the requirement, timing, computation, or procedure for S Corporations obligated to file an MFI under Administrative Code 11-608.

Accordingly, beginning with MFI payments due on or after March 15, 2017, corporations subject to the business corporation tax under Administrative Code 11-653 can no longer make MFI payments with the prior year's tax return or with the request for an extension of time to file such returns. MFI payments must be made on Form NYC-300, *Mandatory First Installment (MFI) By Business C Corporations*, which is available on the Department of Finance's website. The remaining installments of estimated tax will continue to be paid with Form NYC-400, *Estimated Tax by Business Corporations and Subchapter S General Corporations*, on the dates determined in accordance with Administrative Code section 11-658. For clarification on due dates for the remaining installments, please refer to the *Estimated Tax Due Dates* table contained in the Form NYC-400 Instructions.

(Administrative Code sections 11-658(1), 11-658(6).