



**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 earlier .....11.				
12. Number of days from due date of installment to the date shown on line 11 .....12.				
13. Number of days on line 12 after 4/15/96 and before 7/1/96 .....13.				
14. Number of days on line 12 after 6/30/96 and before 10/1/96 .....14.				
15. Number of days on line 12 after 9/30/96 and before 1/1/97 .....15.				
16. Number of days on line 12 after 12/31/96 and before 4/1/97 .....16.				
17. Number of days on line 12 after 3/31/97 and before 7/1/97 .....17.				
18. Number of days on line 12 after 6/30/97 and before 10/1/97 .....18.				
19. Number of days on line 12 after 9/30/97 and before 1/1/98 .....19.				
20. Number of days on line 12 after 12/31/97 and before 4/1/98 .....20.				
21. Number of days on line 12 after 3/31/98 and before 4/15/98.....21.				
22. <u>Number of days on line 13 x 8% x amount on line 10</u> 365 .....22.				
23. <u>Number of days on line 14 x 9% x amount on line 10</u> 365 .....23.				
24. <u>Number of days on line 15 x 9% x amount on line 10</u> 365 .....24.				
25. <u>Number of days on line 16 x * % x amount on line 10</u> 366 .....25.				
26. <u>Number of days on line 17 x * % x amount on line 10</u> 366 .....26.				
27. <u>Number of days on line 18 x * % x amount on line 10</u> 366 .....27.				
28. <u>Number of days on line 19 x * % x amount on line 10</u> 366 .....28.				
29. <u>Number of days on line 20 x * % x amount on line 10</u> 365 .....29.				
30. <u>Number of days on line 21 x * % x amount on line 10</u> 365 .....30.				
31. Add lines 22 through 30 .....31.				
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 12-31-1996, 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 in 1996, the unincorporated business taxable income could reasonably be expected to exceed \$20,000 or, for taxable years beginning after 1996, its estimated tax can reasonably be expected to exceed \$1,000. 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 1995 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).

**Exception 4**

Tax on 1996 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 1996.

**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, 1996, 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.