

UPDATE ON AUDIT ISSUES

General Corporation Tax

Unincorporated Business Tax Paid

June 2008

I. ISSUE

A corporation that is a partner in a partnership subject to the New York City Unincorporated Business Tax (UBT) is subject to the New York City General Corporation Tax (GCT). Corporations may claim a credit against GCT liability if they are required to include the distributive share of the income, gain, loss and deductions of the partnership, or guaranteed payments from the partnership, in their GCT base.

II. CITE

19 RCNY 11-50 Unincorporated Business Tax Paid Credit.

III. RECOMMENDATIONS

GCT filers who are partners in a partnership that files and pays UBT should complete and attach form NYC 9.7 UBT Paid Credit for Corporations to their GCT return if their GCT payments are based upon Entire Net Income or Entire Net Income plus Salaries and other Compensation (the alternative tax base).

Corporate filers claiming this credit should be careful to use the correct percentage of their respective distributive share from each NYC partnership reported on form NYC-204 Schedule C.

The UBT paid credit may only be utilized by a corporate partner in a year that it is actually liable for GCT on the entire net income or entire net income plus compensation basis. However, for a year in which the corporation files on the capital base, the UBT Paid Credit is calculated as if the taxpayer were on the entire net income basis. Although the credit may not be utilized that year, it is eligible to be carried forward for up to seven years to any year in which the corporation files on either of the two eligible bases.