

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

April 27, 2015

New York City Corporate Tax Reform Will Have Significant Impact on 2015 Taxes

Enacted New York legislation significantly revises the New York City corporate income tax system, generally applicable to taxable years beginning on or after January 1, 2015.

New York City does not recognize Federal S Corporation status and instead taxes them as if they are a regular C Corporation. Federal S Corporations, even though taxed as a regular C Corporation in NYC, remain subject to the current/existing New York City general corporation tax or banking corporation tax. Thus these new rules **do not apply** to federal S Corporations subject to tax in New York City.

For affected corporations (*i.e.*, corporations and banks that are not Federal S Corporations), the new provisions make numerous changes, including the following:

- Merging the banking and general corporation taxes;
- In place of the general 8.85% tax rate, allowing a reduced rate for certain small businesses and qualified manufacturing corporations;
- Adopting combined reporting for unitary corporations that meet a more-than-50% stock ownership test;
- Replacing the entire net income tax base with a business income tax base;
- Adopting the phase-in of a single receipts factor, as previously contained in the general corporation tax;
- Applying customer-based sourcing rules;
- Eliminating the separate treatment of subsidiary capital and income;
- Modifying the definitions of “investment capital” and “investment income” and exempting both from tax;
- For pre-2015 net operating losses (NOLs), providing for a prior NOL conversion subtraction;
- Allowing a three-year carryback for NOLs incurred in tax years beginning after 2014;
- Repealing the alternative minimum tax base for income plus compensation;
- Eliminating the tax on assets for banks; and
- Increasing the maximum capital base tax to \$10 million, but allowing a \$10,000 reduction for all capital base tax calculations.

More detailed information can be found on the New York City website: <http://www1.nyc.gov/assets/finance/downloads/pdf/15pdf/corporate-tax-reform.pdf>.

We're evaluating opportunities resulting from these changes. For more information, contact your Anchin Relationship Partner or Clarence Kehoe, Partner-in-Charge of Anchin's Tax Department at 212.840.3456.



Anchin, Block & Anchin LLP
Accountants and Advisors
212.840.3456 • www.anchin.com

