Department of Taxation and Finance

Instructions for Form IT-203-A
Business Allocation Schedule

IT-203-A-I
(12/25)

General instructions

Use the following rules to determine the allocation of:

- business income to New York State, **and**
- net earnings from self-employment to the metropolitan commuter transportation mobility tax (MCTMT).

For purposes of the MCTMT, the Metropolitan Commuter Transportation District (MCTD) is divided into two zones:

- **Zone 1** includes the counties of New York (Manhattan), Bronx, Kings (Brooklyn), Queens, and Richmond (Staten Island).
- **Zone 2** includes the counties of Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester.

When you use these instructions to allocate to the MCTD, substitute:

- *Zone 1 or Zone 2* for *New York State or state;*
- *net earnings from self-employment* for *New York income, business income, or income;* and
- *in and out of Zone 1 or Zone 2* for *in and out of the state.*

Note: If you are doing business in and out of either zone, then you are required to allocate your net earnings from self-employment and in some instances may need to file multiple Forms IT-203-A. See the chart under Line A instructions below.

If you carry on business both in and out of New York State (nonresidents only) or either Zone 1 or Zone 2 of the MCTD, then use this form.

Business is carried on *out of the state* if you have, maintain, operate, or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency, or other place where your business matters are systematically and regularly carried on outside New York State. An occasional or isolated business transaction out of the state will not permit an allocation of income. In addition, if you have no regular place of business out of the state, you may not allocate any income for business carried on out of the state even though you or your representatives may travel out of the state to perform duties connected with the trade or business and may make sales or perform services for out-of-state individuals or corporations.

If the New York income of the business cannot be determined from your books, you must determine income from business carried on both in and out of New York State in accordance with the statutory formula or an alternative method approved by the Commissioner of Taxation and Finance. Complete Schedules A and B following the specific instructions below. Even though Schedule B may not fairly reflect the income from New York, and you use an alternative allocation method, you must complete Schedule B. Submit a detailed explanation of the alternative method used to determine New York income, together with full details of any modifications increasing or decreasing the amount of New York income calculated by the alternate method. For more information about the modifications, see the instructions for Form IT-201, *Resident Income Tax Return,* Form IT-203, *Nonresident and Part-Year Resident Income Tax Return,* and Form IT-225, *New York State Modifications*.

Income and deductions from the rental of real property and gain or loss from the sale, exchange, or other disposition of real property are not subject to allocation. They are considered to be entirely derived from or connected with the place in which the property is located.

Apply the business allocation percentage to business income loss, farm income loss, or income from intangible personal property (such as annuities, dividends, interest, and gains from the disposition of intangible personal property) if such property is used in or connected with a business carried on both in and out of New York State.

Specific instructions

If you carried on more than one business for which an allocation is required, prepare a separate Form IT-203-A for each business.

Line A: If you are required to allocate for both New York State and MCTMT purposes, complete:

- one Form IT-203-A if **all** of your in-state business is carried on in **only** one of the MCTD zones (either Zone 1 **or** Zone 2), **or**
- two or three Forms IT-203-A if you carry on business between both zones, in and out of Zone 1 or Zone 2, and in and out of New York State. See the chart below.

To determine how many Forms IT-203-A you must file, use the chart below:

If you were a New York State:	Then file:
resident and you carried on business in and out of **one** zone **only**	one Form IT-203-A
resident and you carried on business in **both** zones, but not outside of the MCTD	two Forms IT-203-A
resident and you carried on business in and out of on **both** zones	two Forms IT-203-A
nonresident and you carried on business in and out of New York State and in **neither** zone	one Form IT-203-A
nonresident and you carried on all your in-state business in **one** zone **only**	one Form IT-203-A
nonresident and you carried on all your in-state business in **both** zones	two Forms IT-203-A
nonresident and you carried on business in and out of **one** zone **only** but not outside of New York State	two Forms IT-203-A
nonresident and you carried on business in and out of **one** zone **only** and in and out of New York State	two Forms IT-203-A
nonresident and you carried on business in and out of **both** zones and in and out of New York State	three Forms IT-203-A

Example: *Taxpayer Z is a New York State full year nonresident who is self-employed and does business in and out of the MCTD* ***and*** *in and out of New York State. The taxpayer has net earnings from this business attributable to the Bronx (Zone 1), Suffolk County (Zone 2), Plattsburgh, NY, and New Jersey. Since Taxpayer Z has allocated net earnings from self-employment in*

(continued)

and out of Zone 1 and Zone 2 ***and*** *in and out of New York State, the taxpayer must file three Forms IT-203-A.*

1. *Complete one Form IT-203-A to calculate the taxpayer's NYS allocation percentage.*
2. *Complete a second Form IT-203-A to calculate the taxpayer's Zone 1 allocation percentage.*
3. *Complete a third Form IT-203-A to calculate the taxpayer's Zone 2 allocation percentage.*

Schedule A

In columns 1 and 2, list the exact locations at which you carry on business both in and out of New York State.

In column 3, describe the places listed in columns 1 and 2 (for example, branch office, agency, factory, warehouse, and so on) and state whether you rent or own these places. If you need additional space, submit separate sheets as needed with your Form IT-203-A with the same format as Schedule A, clearly showing the information for columns 1 through 3.

If you carry on business both in and out of New York State and maintain accounts clearly showing income from the New York business, mark an ***X*** in the box for ***Income (or net earnings from self-employment) determined from books.*** Do not complete Schedule B.

For MCTMT, include the amount of net earnings from self-employment allocated to:

- **Zone 1** on Form IT-201, line 54a or Form IT-203, line 52b.
- **Zone 2** on Form IT-201, line 54b or Form IT-203, line 52c.

Schedule B

If business is carried on both in and out of New York State and you do not maintain accounts clearly reflecting the New York operations of the business, then complete this schedule.

Property percentage

To determine the average value of real and tangible personal property of the business, complete lines 1 through 4 of Schedule B.

Lines 1 and 3 (property owned)

To determine the average value of the property owned, add its adjusted basis at the beginning of the tax year to its adjusted basis at the end of the tax year, and divide the result by two.

Enter the average value of all property owned by the business in Column A and the average value of property that is located in New York State in Column B.

Lines 2 and 3a (property rented)

The *fair market value* of property rented by the business is generally eight times the gross rent payable during the tax year for which the return is filed. *Gross rent* includes:

- any amount payable for the use or possession of property, or any part of it, whether designated as a fixed sum of money or as a percentage of sales, profits, or otherwise;
- any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs, or any other amount required to be paid by the terms of a lease or other agreement; **and**
- a proportionate part of the cost of any improvement to property made by or on behalf of the business which reverts to the owner or lessor upon termination of a lease or other arrangement. However, if a building is erected on leased land by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business.

Enter the value of all property rented in Column A and the value of property rented that is located in New York State in Column B.

Line 4

Add lines 1 through 3a in Columns A and B and enter the totals on line 4.

Divide the Column B total by the Column A total. Round the result to the fourth decimal place and enter it as a percentage in Column C.

Example: *.3333 should be entered as 33.33.*

Line 5: Payroll percentage

Enter wages, salaries, and other personal service compensation paid only to **employees** of the business. Do not include payments to independent contractors, independent sales agents, and so on. Enter in Column A the total compensation paid to employees during the tax year in connection with business operations carried on both in and out of New York State. Enter in Column B the amount paid in connection with operations carried on in New York State. The compensation paid for services is in connection with operations carried on in New York State if the employee works in or travels out of an office or other place of business located in New York State.

Divide the Column B amount by the Column A amount. Round the result to the fourth decimal place and enter it as a percentage in Column C.

Example: *.3333 should be entered as 33.33.*

Line 6: Gross income percentage

Enter in Column A total gross sales made or charges for services performed by the proprietor or by employees, agents, agencies, or independent contractors of the business in and out of New York State. Enter in Column B the portion of total gross sales or charges which represents sales made, or services performed, by or through an agency in New York State. This includes sales made or services performed by employees, agents, agencies, or independent contractors situated at, connected with, or sent out from offices of the business (or its agencies) located in New York State. For example, if a salesperson working out of the New York office of the business covers New York, New Jersey and Pennsylvania, **all** sales made by them are to be allocated to New York State and included in Column B on line 6.

Divide the Column B amount by the Column A amount. Round the result to the fourth decimal place and enter it as a percentage in Column C.

Example: *.3333 should be entered as 33.33.*

Line 7: Total of percentages

Add lines 4, 5, and 6 in Column C and enter the total.

Line 8: Business allocation percentage

Divide line 7 by three (or by the actual number of percentages if less than three). Round the result to the fourth decimal place and enter the result as a percentage.

If allocating business income to New York State, continue with line 9. If allocating net earnings from self-employment to Zone 1 or Zone 2 of the MCTD, continue with line 10.

Line 10: Allocation of net earnings from self-employment to Zone 1 or Zone 2 of the MCTD

Include the amount of net earnings from self-employment allocated to:

- **Zone 1** on Form IT-201, line 54a or Form IT-203, line 52b.
- **Zone 2** on Form IT-201, line 54b or Form IT-203, line 52c.