

TAX ALERT

NEW YORK MANDATORY FIRST INSTALLMENT & METROPOLITAN TRANSPORTATION BUSINESS TAX SURCHARGE (MTA SURCHARGE) MODIFICATIONS

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New York State and New York City have implemented changes to the mandatory first installments of estimated corporate business tax, including an increase in the Metropolitan Transportation Business Tax Surcharge.

Mandatory First Installments

This modification is to the mandatory first installment (MFI) of estimated business tax for corporate tax purposes. For all mandatory first installments made on or after March 15, 2017, the MFI amount due is now based upon the tax imposed for the second preceding year, multiplied by 25% if the taxpayer's corporate tax liability was greater than \$1,000 (up to \$100,000 for New York State). For New York State only, an MFI of 40% is required if the taxpayer's business corporate tax liability for the second preceding year was greater than \$100,000. Additionally, the MFI can no longer be made on a timely filed tax return or with the request for an extension to file the return - separate forms, CT-300, and NYC-300 must be filed for New York State and City respectively to report the MFI. The City change only applies to C Corporations filing the Business Corporation Tax. S Corporations filing under the General Corporation Tax continue to use the old procedures for MFIs.

It should be noted that although certain corporate tax return due dates were changed to conform to the Federal due dates (i.e. the 15th day of the 4th month following the close of each tax year), the mandatory first installment (MFI) of the tax and the corresponding MTA surcharge are still required to be paid on or before the 15th day of the 3rd month following the close of each tax year.

MTA Surcharge Rate Change

The New York Metropolitan Transportation Business Tax Surcharge has been increased for tax years beginning on or after January 1, 2017 and before January 1, 2018. The MTA tax rate increased to 28.3% from 28%. The Commissioner is required, pursuant to Tax Law section 209-B(1)(f) and Regulation section 9-1.2, to annually adjust the rate of the MTA surcharge for tax years beginning on or after January 1, 2016, as necessary to ensure that the receipts attributable to the surcharge will meet and not exceed the financial projections for the state fiscal year that commences in the year for which the rate is to be set, as reflected in the enacted budget for the fiscal year commencing on the previous April 1. The MTA rate will return to 28% on January 1, 2018, unless further changes are announced by the Commissioner of Taxation and Finance.

The changes in calculations for New York's mandatory first installments of estimated business tax and Metropolitan Transportation Business Tax Surcharge may have implications for your business or clients. Please contact your Mazars USA tax professional or a member of our State & Local Tax group to discuss these modifications and how they may impact your tax liability.

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