



SALT Alert!



SALT Alert! 2016-08: New York State Releases 2015 Corporate Partner Schedule K-1

New York State has now released its tax year 2015 proprietary Corporate Partner Schedule K-1, [Form IT-204-CP](#), and related [instructions](#). Partnerships have multiple new reporting requirements and determinations to make with respect to classifying income and expense items reportable to their Article 9-A partners, based on 2015 New York corporate tax reform. See related [SALT Alert! 2015-09](#), and [SALT Alert! 2014-06](#).

Note: Form IT-204-CP relates only to corporate partners.

Many of the changes to Form IT-204-CP (which has nearly doubled in size from six pages in 2014 to eleven pages in 2015) relate to receipts apportionment factor items and identifying the proper “bucket” for various types of receipts. Many types of receipts within each “bucket” have dedicated lines on Form IT-204-CP and must be separately identified by the partnership. In some cases, only the “everywhere” denominator amount for a given type of receipt must be disclosed (*i.e.*, effectively alleviating the partnership’s burden of making a sourcing determination). The numerators on the form that have been “grayed out” generally are receipt types that are automatically sourced at eight percent to New York.

For other types of receipts, both numerator and denominator amounts must be disclosed, thus requiring market-based (customer) sourcing determinations to be made at the partnership level. In addition, gross proceeds on sales of certain financial instruments are also required to be disclosed, along with the proper sourcing determinations. The new Form IT-204-CP also contemplates the qualified financial instrument (QFI) election, which may be made at the corporate level, as partnerships must indicate by check-box whether there is at least one financial instrument that was actually marked-to-market.

Notably, partnerships are not required to report everywhere amounts related to dividends and gains from stock sales (of the non-investment capital variety) and partnership interest sales. While the general receipts apportionment treatment of such receipts is exclusion from the factor altogether, this information may be needed by certain corporate partners that choose to make the eight percent QFI election. As such, partnerships with non-investment capital stock should consider providing this information to corporate partners

anyway.

Below are a few additional items to keep in mind with regard to the 2015 Form IT-204-CP receipts apportionment:

- For sales of asset-backed securities and government agency debt, gross proceeds on sale are sourced by purchaser location (but only with respect to sales that were not facilitated through broker/dealer or licensed exchange).
- For interest income on corporate bonds, sourcing must be determined by issuer location, as well as sourcing of gross proceeds on sale of corporate bonds by purchaser location (but only with respect to sales that were not facilitated through broker/dealer or licensed exchange).
- Loan receipts continue to be sourced by borrower or secured realty location, with gross proceeds on sale of loans sourced similarly.
- For purposes of the “other financial instruments” receipts bucket, interest, net gain, and other income are sourced based on location of the payor (but **not** for net gains on a sale resulting from broker/dealer or exchange-facilitated sale transactions).
- For commodities sales, gross proceeds on sale are sourced based on purchaser location.
- With respect to I.R.C. §§ 475 or 1256 marked-to-market net gains or losses, everywhere denominator amounts must be reported on a bucket-by-bucket basis, but the partnership is not required to determine New York sourcing of these amounts.

Overall, it appears the Form IT-204-CP aims to relieve—in part—the market-based sourcing burdens at the partnership level, which leaves additional work to be done by the corporate partner after receiving its Form IT-204-CP from the partnership. That said, a number of receipts categories still remain the partnership’s burden in applying the market-based sourcing rules.

In addition to the receipts factor apportionment items, the 2015 Form IT-204-CP also requires a partnership to disclose many details of its investment capital stocks (including name, CUSIP number, shares, date acquired, fair market value and liabilities directly attributable to such stocks), and detail of the investment income generated therefrom. The form also requires the disclosure of certain other exempt income and interest expenses directly attributable to various categories of investment income and other exempt income.

With respect to New York City, it should be noted that the City has never published a Schedule K-1 form and it appears unlikely that the City will start doing so, despite the similarities in State and City corporate partner level taxation, both pre- and post-tax reform. Nonetheless, providing corporate partners with information on their distributive share of New York City partnership items via a K-1 equivalent or substitute form (with similar information as provided in the 2015 State Form IT-204-CP) continues to be prudent practice.

[Contact](#)

For more information, please contact:

Name	Phone
Russ Levitt	(212) 872-6717
Dave Turzewski	(212) 872-5628
Hernan Stigliano	(212) 872-6967
Fred James	(973) 912-6555
Dale Kim	(212) 954-3920

© 2016 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
All rights reserved. NDPPS 528710