



An in-depth look at the New York State special additional mortgage recording tax credit

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The credit for NYS Special Additional Mortgage Recording Tax is an often overlooked credit, yet it can be a big benefit to many and can lead to significant savings. If you have taken out a new mortgage or refinanced commercial real estate and certain residential real estate in New York, the mortgage recording tax can add to your financing costs. One of these taxes is the "special additional mortgage recording tax," which is 25¢ per \$100 of mortgage debt or obligation secured. If you are not sure if you paid this tax, your first step should be to determine if you paid this tax. By claiming this credit you can reduce the overall mortgage recording tax burden paid to the State of New York.

For a tax year beginning on or after January 1, 2004, if you paid the special additional mortgage recording tax to record a mortgage on real property located in New York State, you may qualify for a credit for the amount of special additional mortgage recording tax you paid. Partners in a partnership (including members of an LLC that is treated as a partnership for federal income tax purposes), estates and trusts, and beneficiaries of estates and trusts may also qualify for this credit if the partnership, estate or trust in its tax year paid the tax to record a mortgage on or after January 1, 2004. This credit does not apply to shareholders of New York S corporations. A New York S corporation will continue to claim a credit for this tax directly on its New York State S corporation return using Form CT-43, Claim for Special Additional Mortgage Recording Tax Credit.

You're entitled to this refundable credit if you or your business paid special additional mortgage recording tax where the real property is located in Erie County or any of the counties within the Metropolitan Commuter Transportation District (MCTD) comprised of the counties of New York, Bronx, Queens, Kings, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. This credit does not apply to residential mortgages. For purposes of this credit a residential mortgage is real property principally improved by one or more structures containing a total of not more than six residential dwelling units, each with its own separate cooking facilities. Therefore, if your residential real property has over six units and is located in one of the counties mentioned above it does qualify for the credit.

File Form IT-256 if you are an individual (including a sole proprietor), a partnership, or an estate or trust and you qualify for the credit. In addition, if you are a partner in a partnership or a beneficiary of an estate or trust, file Form IT-256 to claim your share of the credit from your entity.

If the amount of the special additional mortgage recording tax credit exceeds your tax for the tax year, any amount of credit exceeding the tax may be carried over to the following year or years, or you can elect to treat the unused amount of credit as an overpayment of tax to be credited or refunded. However, you cannot receive a refund of any credit carried over from a prior year.

If you have already filed your tax return for a year that you are entitled to this credit you can amend

your tax return if the year is still open. Be sure to complete form IT-256 and attach it to your amended return.

You should determine if you have paid this tax and have not taken a credit. If you don't know if you have paid this tax, the first step to take is to contact your accountant. He or she should then review the mortgage paperwork and apply for the credit if you qualify.

MayerMeinberg's proactive approach has helped many new clients file amended returns for prior years to take advantage of the credit missed by their previous accountants. We have had clients of all sizes take advantage of this credit. Whether you are an established real estate company with residential and commercial buildings, or buying a building for a first time, you might be eligible to receive the benefit of the credit. In our experience, many clients are unaware of the advantages available, and our team makes it a priority to stay updated on credits that can save your company money.

For more than 60 years, MayerMeinberg LLP has provided tax, audit and business advisory services to privately-held companies and has quickly become one of the top accounting firms in the tri-state region on a variety of business matters. If you have any questions please do not hesitate to call one of our offices.

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