



Computation of the Family-Owned Business Interests Deduction

For estates of decedents dying on or after January 1, 1998, and before February 1, 2000

Attach this completed form to the original or amended Form ET-90.

Decedent's last name	First name	Middle initial	Social security number	Date of death
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Part I – Adjusted value of qualified family-owned business interests

1 Family-owned business interests reported on Form ET-90. In the area provided, list each business interest, the schedule of the return it was reported on, and its value. All property reported here must be included in schedules A, B, C, D, E, F, G, or H for Form ET-90.

Schedule and item no.	Description of business interest	Reported value

2 Total of family-owned business interests listed above	2	
3 Total from Schedule K, <i>Debts of decedent, mortgages and liens</i> (enter here and on line 15 below)	3	
4 Mortgages and other debts on a qualified residence of the decedent that qualify for the mortgage interest deduction, and are included on line 3	4	
5 Indebtedness used for educational or medical expenses included on line 3 ...	5	
6 Other debts included on line 3, and not on 4 or 5. Do not enter more than \$10,000.	6	
7 Total allowable indebtedness (add lines 4, 5, and 6)	7	
8 Subtract line 7 from line 3	8	
9 Adjusted value of qualified family-owned business interests (subtract line 8 from line 2)	9	

Part II – Qualifying estate

Includible gifts of qualified family-owned business interests

10 Decedent's gifts of qualified interests made to qualified heirs (other than the decedent's spouse), retained by the heirs, and includable in federal adjusted taxable gifts	10	
11 Gifts of qualified interests to qualified heirs that are not included in federal adjusted taxable gifts because of the gift tax annual exclusion	11	
12 Add lines 10 and 11 (enter here and on line 17 below)	12	
13 Add lines 9 and 12	13	

Adjusted gross estate

14 Federal gross estate from line 1, Part 2, of federal Form 706 (see instructions if a federal estate tax return is not required)	14	
15 Total of Schedule K (from line 3 above)	15	
16 Subtract line 15 from line 14	16	
17 Amount from line 12 above, if any	17	
18 Total amount of any transfers to the decedent's spouse, if made by the decedent within ten years of his or her death	18	
19 Amount of all other gifts made by the decedent within three years of his or her death, including gifts of a present interest to family members, reduced by the amount of the applicable annual exclusion	19	
20 Add lines 17, 18, and 19	20	
21 Enter the total of any amounts included on line 20 that are includable in the federal gross estate	21	
22 Subtract line 21 from line 20	22	
23 Adjusted gross estate (add lines 16 and 22)	23	
24 Enter one-half of the amount from line 23. If line 13 exceeds this amount, complete line 25, otherwise the estate does not qualify	24	
25 Enter here and on page 2, line 42 of Form ET-90, the amount on line 9 above, reduced by the value of such property included on Schedule M and any expenses (including taxes) payable out of such property, or a lesser amount if you so elect. Do not exceed \$675,000	25	

Instructions

For up-to-the-minute information on New York State taxes, including your New York State estate tax return, visit our Web site at <http://www.tax.state.ny.us>.

Use this form to claim the family-owned business interests deduction on the New York State estate tax return. Estates of individuals who died on or after January 1, 1998, and before September 9, 1999, may elect this deduction or the family-owned business exclusion. See Form ET-417 for information on the exclusion.

To qualify:

1. The decedent must have been a citizen or resident of the United States on the date of death.
2. The qualified family-owned business must be an interest in a trade or business, regardless of form, with its principal place of business in the United States.
3. The adjusted value of the decedent's qualified family-owned business interests that are passed to qualified heirs (line 13 of this form) must exceed 50% of the decedent's federal adjusted gross estate.
4. If a qualified heir is not a citizen of the United States, any qualified family-owned business interests acquired by that heir must be held in a trust meeting requirements similar to those imposed on Qualified Domestic Trusts (Q-DOTs) under section 2056A(a) of the federal Internal Revenue Code (IRC).
5. The decedent and/or a member of his or her family must have owned the business interests at least five out of the eight years immediately preceding the date of the decedent's death, and must have materially participated in the operation of the business during the same period.
6. *Qualified family-owned business interests* include:
 - a. A sole proprietorship in a trade or business.
 - b. An interest in an entity, at least 50% of which is owned (directly or indirectly) by the decedent and members of the decedent's family.
 - c. An interest in an entity, at least 70% of which is owned (directly or indirectly) by members of two families and at least 30% of which is owned by the decedent and members of the decedent's family.
 - d. An interest in an entity, at least 90% of which is owned (directly or indirectly) by members of three families and at least 30% of which is owned by the decedent and members of the decedent's family.

Qualified heirs include any individual who has been actively employed by a trade or business for at least 10 years prior to the date of the decedent's death, and members of the decedent's family.

Refer to the instructions for federal Form 706, *Schedule T*, for additional information.

Caution: When an estate claims the family-owned business interests deduction on a New York State estate tax return, it may not claim the agricultural credit or the credit for a closely-held business on its New York State estate tax return.

Line instructions

Line 4 – Include the balances outstanding as of the decedent's death, for mortgages and loans (acquisition and home equity indebtedness) on a qualified residence of the decedent, that qualify

for the mortgage interest deduction under section 163(h) of the federal IRC, and are reported on Schedule K and included in the amount on line 3.

Line 5 – Enter the amount of any indebtedness that is included in the amount on line 3, is not included in the amount on line 4, and whose proceeds were used to pay educational or medical expenses of the decedent, his or her spouse, or dependents.

Line 10 – Using the date of gift value, enter the amount of gifts, if any, that:

- are includable on line 4 of Part 2, page 1, of federal Form 706 (or would be if a federal return was required);
- were gifts of qualified family-owned business interests, made by the decedent during his or her lifetime, to any qualified heir, except such gifts made to his or her spouse; and
- continuously held by such members of the decedents family from the date of the gift to the date of the decedent's death.

Line 11 – Using the date of gift value, enter the total of gifts of qualified family-owned business interests that are not included on line 10 because they were excluded from federal taxable gifts due to the gift tax annual exclusion, and are not included in the federal gross estate.

Line 14 – If the estate is not required to file a federal estate tax return, Form 706, the federal gross estate can be determined by taking the amount on page 2, line 32 of Form ET-90, *New York State Estate Tax Return*, and reducing it by the amount on page 2, line 33b.

Need help?

Telephone assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday. **For estate tax information**, call toll free 1 800 641-0004. If busy, call 1 800 225-5829. **To order forms and publications**, call toll free 1 800 462-8100. **From areas outside the U.S. and outside Canada**, call (518) 485-6800.

Fax-on-demand forms ordering system: Most forms are available by fax 24 hours a day, 7 days a week. Call toll free from the U.S. and Canada 1 800 748-3676. You must use a Touch-Tone phone to order by fax. A fax code is used to identify each form.

Internet access: <http://www.tax.state.ny.us>

Access our Web site for forms, publications, and information.

Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), you can get answers to your New York State tax questions by calling toll free from the U.S. and Canada 1 800 634-2110. Assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.

Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call the information numbers listed above.

Mailing address: If you need to write, address your letter to: NYS Tax Department, Taxpayer Assistance Bureau, W A Harriman Campus, Albany NY 12227.