Department of Taxation and Finance

Instructions for Forms IT-260 and IT-260.1
Change of Resident Status – Special Accruals

IT-260-I
(12/25)

If your status changes from a New York State resident to a nonresident, you must accrue on your New York State part-year or full-year resident return any items of income, gain, loss, or deduction that under an accrual method of accounting would be reportable at the time of the change of residence. You must also accrue to New York State the total taxable amount of lump-sum distributions subject to the separate tax on lump-sum distributions (Form IT-230, *Separate Tax on Lump-Sum Distributions).*

If you change from a New York City resident to a nonresident, you must accrue these items on Form IT-360.1, *Change of City Resident Status*. These rules also apply when the status of a trust changes from resident to nonresident (a trust will make these accruals on Form IT-205-A, *Fiduciary Allocation).* Tax Law §§ 639(a), 639(h), 1307(c), and 1307(f) require these special accruals. For more information on the accrual requirements for New York City, see the instructions for Form IT-360.1. For more information on the accrual requirements for trusts, see the instructions for Form IT-205-A.

If you had a right to receive the income without restriction or contingencies at or before the date you changed residence, you must accrue the income as of the time you changed your residence, even if you actually receive the income after you move out of New York State. Examples of accruable items of income are: 1) the unrealized income from an installment sale made while you were a resident, and 2) payments that you will receive from a lottery that you won while you were a resident.

Other items you may need to accrue include bonuses (if the amount you will receive is fixed and determinable at or before the date you changed residence) and severance pay (if the amount you will receive is fixed and determinable at or before the date you changed residence).

You are not required to make the special accruals on your New York State return in the year that you change your resident status if: 1) you file a bond or other acceptable security in an amount equal to or greater than the amount of additional New York State income tax that would be due if the accrued items were included on your New York return, and 2) you include the accruable amounts as received on your New York nonresident return for subsequent tax years as if no change of resident status occurred [Tax Law §§ 639(d), 639(h), 1307(c), and 1307(f)].

If you were a New York City resident prior to your change of residence, you must continue to pay New York City resident tax on the accruable amounts reported on your future New York State nonresident returns.

Form IT-260, *New York State and New York City Surety Bond Form Change of Resident Status – Special Accruals,* must be properly executed in triplicate and filed with Form IT-201, *Resident Income Tax Return*, Form IT-203, *Nonresident and Part-Year Resident Income Tax Return,* or Form IT-205, *Fiduciary Income Tax Return*, for the year you changed your residence.

Form IT-260 must be:

- executed by a surety company that is registered with, and under the supervision of, the New York State Insurance Department;
- approved by the Department of Taxation and Finance;
- in the amount of the deferred tax; and
- accompanied by a statement that shows the nature and amount of each item of accrued income, gain, loss, or deduction and a computation of the deferred tax.

Deferred tax is the additional personal income tax that would have been due if you had accrued the items of income, gain, loss, or deduction (including any separate tax on lump-sum distributions that would have been due if you had accrued the lump-sum distribution) on the part-year or full-year resident return for the year that the change of residence occurred.

Acceptable collateral security

In place of Form IT-260, you may file collateral security acceptable to the department. If you decide to file collateral security, you must submit it **in triplicate** with a properly executed collateral agreement on Form IT-260.1, *Change of Resident Status – Special Accruals,* **also in triplicate**. File all copies of both the collateral security and Form IT-260.1 with your return for the year you changed residence.

The Tax Department will accept the following as collateral security:

- certificated United States Treasury bonds
- certificated bonds of New York State
- certificated bonds of any political subdivision of New York State having general governmental powers in connection with which the credit of the political subdivision is pledged for the payment of the interest and principal on the bonds
- bank passbooks and certificates of deposit
- irrevocable standby letters of credit made payable to the New York State Department of Taxation and Finance
- federal Form W-2G, *Certain Gambling Winnings*

Bonds offered as collateral must be certificated and may be in either bearer or registered form. They must have maturity dates at least five years after the date of filing with the department.

If they are coupon type bonds, you must attach the interest coupons. (However, since any interest accruing on the bonds belongs to the taxpayer, the department will detach the coupons and return them as they become due.) The dollar amount of the bonds must be at least 1½ times the amount of the deferred tax, based on the fair market value on the date of filing with the department. We will not recognize fair market value greater than the face value on the bond for this purpose. If you offer registered United States Treasury bonds as collateral, you must submit to the department a properly completed United States Treasury Department Form PDF 1832, *Special Form of Assignment for U.S. Registered Definitive Securities*. If you offer a registered New York State security or security of any subdivision of New York State as collateral, you must submit to the department a properly completed New York State Form AU-217, *Assignment Separate from Bond.*

Bank passbooks and certificates of deposit offered as collateral must be in an amount not less than the amount of the deferred tax and must represent money on deposit with a financial institution approved by the department. Certificates of deposit must have a maturity date at least one year after the date of filing with the department. Additionally, bank passbooks and certificates of deposit offered must be:

- registered or maintained in the name of the taxpayer;
- accompanied by a signed, undated withdrawal slip; and

- accompanied by a letter prepared on the letterhead of the financial institution and signed by an officer:
  - identifying the passbooks or certificates of deposit by account number;
  - confirming that withdrawal of principal from the passbook or certificate of deposit offered as collateral will not be permitted without written consent from the Tax Department; and
  - stating that any right of setoff that the financial institution may possess against the taxpayer shall be subordinate to the interest of the Tax Department in the passbook or certificate of deposit offered as collateral.

Any interest accruing on bonds, passbooks, or certificates of deposit belongs to the taxpayer and can be withdrawn.

Standby letters of credit offered as collateral must:

- be irrevocable for a period of time determined by the Tax Department;
- be made payable to the ***New York State Department of Taxation and Finance;***
- be written for the amount of deferred tax rounded up to the next higher thousand dollars;
- be issued or confirmed by a bank approved by the Tax Department; and
- contain other payment terms acceptable to the Tax Department.

Lottery winners: The Tax Department will consider a copy of federal Form W-2G, showing New York State taxes were withheld on the lottery winnings, as acceptable security.

You must attach a copy of Form W-2G to Form IT-260.1.

Example: *On November 3, a taxpayer sold stock on the installment basis and realized a long-term capital gain of $150,000, payable in three equal installments of $50,000. The taxpayer will report the first installment ($50,000) on their federal income tax return for the year in which the sale took place, and they will report the remaining two installments on their income tax returns over the next two years.*

The taxpayer, who is single and claims the standard deduction, changed their residence from New York State to Florida on December 31 in the year of the sale. Therefore, the taxpayer must file a New York State resident income tax return for that year. If they accrue the entire gain on this resident income tax return, the total tax due is $8,433.

By electing to post a surety bond or other acceptable security, the taxpayer must pay only $2,147 on the income tax return for the year of the sale, computed in the normal manner, utilizing the installment method of reporting as shown on the federal return. For the following two years, the taxpayer must file Form IT-203, Nonresident and Part-Year Resident Income Tax Return, *and report the long-term capital gain from the installment sale as shown on their federal return.*

The required surety bond in this example is $6,286 ($8,433 - $2,147), representing the deferred tax by reason of the election. $6,286 is also the amount required if the taxpayer posts a bank passbook or certificate of deposit. If bonds or notes are posted, they must have a fair market value of at least $9,429, representing 1½ times the amount of the deferred tax. A standby letter of credit would have to be written for the amount of deferred tax rounded up to the next higher thousand dollars, or $7,000.

Where to send your forms

You must send the surety bond with Form IT-260 or the collateral security with Form IT-260.1, whether or not filed with Form IT-201, Form IT-203, or Form IT-205, **by registered mail** to:

INCOME TAX AUDIT ADMINISTRATOR I
IFDAB
W A HARRIMAN CAMPUS
ALBANY NY 12227-4299

For subsequent years, you must send Form IT-201, Form IT-203, or Form IT-205 to this address instead of the one on the return.

Private delivery services – See Publication 55, *Designated Private Delivery Services*.

If you have questions regarding the filing of a bond, call our bond unit at 518-485-9094, or write to the Income Tax Audit Administrator at the address above.

Need help?



Visit our website at ***www.tax.ny.gov***

- get information and manage your taxes online
- check for new online services and features

Telephone assistance

Automated income tax refund status:	518-457-5149
Personal Income Tax Information Center:	518-457-5181
To order forms and publications:	518-457-5431
Text Telephone (TTY) or TDD equipment users	Dial 7-1-1 for the New York Relay Service