



Instructions for Form CT-604

Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit

General information

For tax years beginning on or after January 1, 2001, the Empire Zones Program Act provides tax credits for a qualified empire zone enterprise (QEZE): the QEZE credit for real property taxes, and the QEZE tax reduction credit. The credits are available to taxpayers subject to tax under Article 9-A (general business corporations), Article 32 (banking corporations), and Article 33 (insurance corporations). These credits may not be applied against the Metropolitan Transportation Authority surcharge (MTA surcharge).

Eligibility

A business enterprise that has been certified as eligible to receive benefits under Article 18-B of the General Municipal Law prior to July 1, 2005, is a QEZE for each of the 14 tax years following its test year, if in those tax years the business enterprise meets the annual employment test. To meet the employment test, the business enterprise's average full-time employment for the tax year, both within the empire zone (EZ) and in New York State outside the EZ, must equal or exceed the average full-time employment determined for the base period.

QEZE credit for real property taxes

The QEZE credit for real property taxes is allowed for taxes paid or incurred on real property owned by the QEZE and located in the EZ. The amount of the credit is the product of (1) the benefit period factor, (2) the employment increase factor, and (3) the eligible real property taxes paid or incurred by the QEZE during the current tax year.

The QEZE credit for real property tax may not reduce the tax to less than:

- the larger of the tax on minimum taxable income or the fixed dollar minimum as computed under Article 9-A, or
- \$250 for Article 32 or 33 filers.

Any amount of the QEZE credit for real property taxes not deductible in the current tax year may be refunded without interest, or applied as an overpayment against next year's tax.

QEZE tax reduction credit

The QEZE tax reduction credit is allowed against a QEZE's corporate franchise tax under Articles 9A, 32, or 33, and is the product of (1) the benefit period factor, (2) the employment increase factor, (3) the zone allocation factor, and (4) the tax factor.

The QEZE tax reduction credit may not reduce the tax to less than:

- the fixed dollar minimum under Article 9-A (however, a QEZE that has a zone allocation factor of 100% is not subject to this limitation and may reduce the tax to zero); or
- \$250.00 for Article 32 or 33 filers.

The QEZE tax reduction credit is not refundable, and any amount not deductible in the current year may not be credited or refunded to the taxpayer.

Definitions

A *Qualified Empire Zone Enterprise (QEZE)* is a business enterprise that is certified as eligible to receive benefits under Article 18-B of the General Municipal Law prior to July 1, 2005, and that annually meets the employment test.

The *employment test* will be met for a tax year if (1) the business enterprises employment number in the EZ in which the enterprise is certified equals or exceeds its employment number in the EZ for the base period, and (2) the business enterprises's employment in New York State outside of the EZ for the tax year equals or exceeds its employment number in New York State outside the EZ for the base period.

Tax year means the tax year of the business enterprise under Article 9-A, 32, or 33, of the Tax Law.

Employment number means the average number of individuals (excluding general executive officers) employed full-time by the business enterprise for at least one-half of the tax year.

General executive officers are the chairman, president, vice president, secretary, assistant secretary, treasurer, assistant treasurer, comptroller, and any other officer charged with the general affairs of the corporation. A *general executive officer* is, therefore, an appointed or elected officer of the corporation having company-wide authority with respect to assigned functions or responsibility for an entire division of the company.

Full-time employment means a job consisting of at least 35 hours per week, or two or more jobs that together constitute the equivalent of a job of at least 35 hours per week. A seasonal job that meets these requirements constitutes full-time employment if the job is continuous for at least three months.

Test date is the later of July 1, 2000, or the date prior to July 1, 2005, on which your business enterprise was certified under Article 18-B of the General Municipal Law.

Test year is your last tax year ending on or before the test date.

Base period is the five tax years immediately preceding the test year. If your QEZE has fewer than 5 preceding years, then your base period is the smaller set of years. If you are a new business enterprise that is first doing business and creating jobs in New York State, your base period average is zero.

Employment increase factor (see Schedule C) is an amount which cannot exceed one, but that is the greater of the following:

- (1) The excess of your employment number in the EZ in which you are certified for the current tax year over your test year employment in the EZ, divided by your test year employment number in the EZ; or
- (2) The excess of your employment number in the EZ in which you are certified for the current tax year over your test year employment in the EZ, divided by 100.

Benefit period factor is a number between zero and one, based on the tax year of the benefit period, and designed to phase out the benefit in the last five years of the benefit period. (See the *benefit period factor table* on page 3 of Form CT-604.)

Zone allocation factor (see *Schedule D*) is a percentage that represents your presence in the EZ for which you are certified. It is used only for computing the tax reduction credit; see *Schedule F*.

Value of real and tangible personal property is the federal adjusted basis of your property (except rental property which is eight times your gross rent.) However, you may use fair market value when computing your QEZE property factor if you made a one-time revocable election to use fair market value as the value of all your real and tangible personal property for purposes of the property factor of the business allocation percentage and that election has not been revoked.

Eligible real property taxes are the taxes for the current year imposed on your real property located in the EZ for which you are certified.

Tax factor is the tax due under each applicable article of the Tax Law that is based on income. If an Article provides for two tax measures based on income, the higher of the two is the tax factor. The tax factor is used only for computing the tax reduction credit (see *Schedule F*).

Specific instructions

Schedule A - Eligibility requirements

To qualify for the QEZE real property tax and QEZE tax reduction credits, you must be certified under Article 18-B of the General Municipal law prior to July 1, 2005, and you must meet an annual employment test. Complete *Schedule A* to determine if you meet the annual employment test. If you answer **No** on either line 3 or line 6, you do **not** qualify for the QEZE credit for real property taxes or the QEZE tax reduction credit for the current tax year.

Part 1 - EZ employees - Computation of average number of full-time employees within the EZ for the current tax year and the five-year base period.

Line 1 - Enter for each date specified of the current tax year the number of full-time employees (excluding general executive officers) who are located in the EZ. Divide the total number of full-time EZ employees for the current tax year by the number of the dates occurring during the current year (even if you had no employees on those dates) to obtain the average number of full-time EZ employees for the current tax year. Make no entries for any dates that did not occur during your tax year. Do not include those dates in the calculation.

Line 2 - Enter for each date specified of the base period, the number of full-time employees (excluding general executive officers) who are located in the EZ. Divide the total number of full-time EZ employees for each date specified of the five-year base period by the number of dates occurring (even if you had no employees on those dates) to obtain the average number of full-time EZ employees for the base period. Make no entries for any dates prior to your beginning business date. Do not include those dates in the calculation.

Example: A QEZE, a calendar year filer, begins business in New York January 1, 1999 and is certified on January 1, 2001. The QEZE's test date is January 1, 2001. The test year is the tax year ending December 31, 2000. The base period is January 1, 1999 - December 31, 1999. The QEZE will compute its total number of full-time EZ employees for the base period as follows:

Base period number of full-time EZ employees	Mar 31	June 30	Sept 30	Dec 31	Total
Number in base year one	0	3	4	5	12
Number in base year two					
Number in base year three					
Number in base year four					
Number in base year five					
Total full-time employees within the EZ in the base period					12

*The average number of full-time employees within the EZ in the base period .. (12 divided by 4) 3**

* The QEZE will divide the total number of full-time EZ employees by the number of dates that occurred during the QEZE's base period. The base period in this instance was only one year.

Line 3 - The average number of full-time EZ employees for the current year (line 1) must equal or exceed the average number of full-time EZ employees for the base period (line 2) to qualify for the QEZE credit for real property taxes or the QEZE tax reduction credit. If you check **No**, you do **not** qualify for either credit. Do not complete the rest of this form.

Part 2 - New York State employment outside the EZ

Complete part 2 in the same manner as you completed part 1; however include only those employees who are not located in the EZ, but who are located within New York State.

Line 6 - The average number of full-time employees in New York State, outside the EZ for the current year (line 4) must equal or exceed the average number of full-time employees in New York State, outside the EZ, for the base period (line 5) to qualify for the QEZE credit for real property taxes or the QEZE tax reduction credit. If you check **No**, you do **not** qualify for either credit. Do not complete the rest of this form.

Schedule B - Computation of average number of full-time employees in the EZ for the test year

Line 7 - Divide the total number of full-time EZ employees for your test year by the number of the dates occurring during the year (even if you had no employees on those dates) to obtain the average number of full-time EZ employees for your test year. Make no entries for any dates that did not occur during your test year. Do not include those dates in the calculation.

Schedule C - Employment increase factor

The employment increase factor (see *Definitions*) cannot exceed 1.0. If your test year employment number is zero, your employment increase factor shall be 1.0.

Schedule D - Zone allocation factor

This factor represents your economic presence in an EZ.

The *zone allocation factor* is a percentage computed using two factors; a property factor and a payroll factor. The percentage is calculated by adding the two percentages determined on lines 15 and 17, and then dividing the result by 2. If you have only one percentage, use that percentage as your zone allocation factor.

Line 14 - Column A - Enter your average value of real and tangible personal property (see *Definitions*), whether owned or rented to you, that is located within the EZ in your current tax year.

Line 14 - Column B - Enter your average value of real and tangible property (see *Definitions*) located within New York State in your current tax year.

Line 16 - Column A - Enter the wages paid to your full-time EZ employees in the current tax year. Exclude wages paid to general executive officers (see *Definitions*).

Line 16 - Column B - Enter the wages paid to your full-time employees located within New York State for the current tax year. Exclude wages paid to general executive officers (see *Definitions*).

Schedule E, Part 1- QEZE credit for real property taxes computation

Line 22 - See page 2 for a definition of eligible real property taxes.

Schedule E - Part 2 - QEZE credit for real property taxes application

(New York S corporations: do not complete Schedule E, Part 2)

Line 25 - If you are applying multiple credits, see your franchise tax return instructions to determine the order in which the credits should be applied.

Line 32 - Any amount of credit not being utilized or refunded may be claimed as an overpayment of tax to be applied against the MTA surcharge or next year's tax liability. Enter this amount on the appropriate line of your franchise tax return.

Schedule F, Part 1 - QEZE tax-reduction credit computation

New York S corporations: Do not calculate the QEZE tax reduction credit on this form.

Article 22 shareholders: Calculate your QEZE tax reduction credit on Form IT-604, *Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit*.

Article 13 shareholders are not eligible for the QEZE tax reduction credit.

Line 36 - Article 9-A filers - Enter the larger of the tax on the entire net income base or the tax on the minimum taxable income base from Form CT-3 or CT-3-A.

Article 32 - Enter the larger of the entire net income base tax or the alternative entire net income base tax from Form CT-32 or CT-32-A.

Article 33 - Enter the larger of the tax on the entire net income base or the alternative tax from Form CT-33 or CT-33-A.

Schedule F, Part 2 - QEZE tax reduction credit application (New York S corporations: do not complete Schedule F, Part 2.)

Note: This credit may not be refunded or carried forward. Any amount not deductible in the current tax year is lost.

Line 39 - If you are applying multiple credits, see your franchise tax return instructions to determine the order in which the credits should be applied.

Need help?



Telephone assistance is available from 8:30 a.m. to 4:25 p.m. (eastern time), Monday through Friday.

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Hotline for the hearing and speech impaired:

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If you need to write, address your letter to:

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