General information

Tax Law sections 210.20, 1456(d) and 1511(h) allow an empire zone (EZ) capital tax credit to be applied against the taxes imposed by Articles 9-A, 32, and 33.

The EZ capital tax credit is equal to 25% of the sum of the following investments and contributions which were made during the tax year and certified by the Commissioner of Empire State Development:

a) Qualified investments in certain certified EZ businesses; and
b) Contributions of money to community development projects as defined in regulations issued by the Commissioner of Empire State Development.

The term qualified investment means (1) the contribution of property to a corporation in exchange for original issue capital stock or other ownership interest, (2) the contribution of property to a partnership in exchange for an interest in the partnership, and (3) similar contributions to a business entity not in a corporate or partnership form in exchange for an ownership interest in that entity.

The following limitations apply to the capital tax credit:

- The credit and carryover of this credit may not reduce the tax imposed by Article 9-A to less than the greater of the tax on minimum taxable income or the fixed dollar minimum; the credit and carryover of the credit may not reduce the tax imposed by Articles 32 and 33 to less than the minimum tax of $250.
- The total amount of credit allowable to a taxpayer for all years may not exceed $300,000, and the total credit allowed for each of the three categories of qualified investments and contributions may not exceed $100,000.
- The credit and carryover of this credit may not exceed 50% of the tax imposed by Article 9-A, section 209 or Article 32, section 1455, without regard to any credit.
- For a life insurance corporation, the credit and carryover of this credit may not exceed 50% of the tax computed pursuant to Tax Law section 1505(a); or
  - the lesser of:
    - the tax computed pursuant to Tax Law section 1505(a); or
    - the sum of the taxes imposed under Tax Law sections 1501 and 1510; or
    - the amount of tax computed pursuant to Tax Law section 1505(b).
- The credit and carryover of this credit may not exceed 50% of the taxes imposed under section 1502-a, computed without regard to any credit provided for under Article 33.
- For a nonlife insurance corporation, the credit and carryover of this credit may not exceed 50% of the taxes imposed under section 1502-a, computed without regard to any credit provided for under Article 33.
- For a nonlife insurance corporation, the credit and carryover of this credit may not exceed 50% of the taxes imposed under section 1502-a, computed without regard to any credit provided for under Article 33.

This credit is not refundable; however, any amount of credit or carryover of credit not deductible in the current tax year may be carried over to be deducted from the tax for succeeding tax years.

Attachments required

Empire State Development Corporation issues Form Z10, Eligibility to Apply for a Zone Capital Tax Credit, to taxpayers. Form Z10 authorizes the taxpayer to receive an EZ capital tax credit against the taxpayer’s New York State franchise tax. Attach Form Z10 to Form CT-602, Claim for EZ Capital Tax Credit, when applying for the EZ capital tax credit.

Line instructions

Corporations — Complete all schedules.

New York S corporations — Complete only Schedules A, B, and E.

Schedule A — Investments in certified EZ businesses

Line 1 — Enter the amount of qualified investments made in certified EZ businesses during the tax year. A certified EZ business is one which was certified pursuant to General Municipal Law Article 18-B and employed an average of 250 or fewer full-time individuals (excluding general executive officers) in the state during the 12-month period immediately preceding the investment. The average number of individuals is computed pursuant to Tax Law section 210.19(b)(3), section 1456(e)(2)(C), or section 1511(g)(2)(C).

Qualified investments do not include investments made by or on behalf of an owner of the business, including but not limited to a stockholder, partner, sole proprietor, or any related person (as described in Internal Revenue Code (IRC) section 465(b)(3)(C)).

Line 3 — Corporate partners: Multiply line 1 by line 2, then add any amount received from a partnership and enter the total. Provide the name and identifying number of the partnership on a separate sheet.

New York S corporations — Transfer this amount to Form CT-34-SH, New York S Corporation Shareholder’s Information Schedule.

Line 4 — Enter the total amount of qualified investments made in certified EZ businesses that are itemized in Schedule A. Submit supporting documentation from the certified EZ business indicating the name of the business and the dollar amount of the qualified investment.

If additional space is necessary, attach additional sheets following the same format.

Schedule B — Monetary contributions to EZ community development projects

Line 5 — Enter the amount of monetary contributions made to EZ community development projects. For a definition of community development project, see 5 New York Code Rules and Regulations (NYCRR) 10.2(c).

Line 7 — Corporate partners: Multiply line 5 by line 6, then add any amount received from a partnership and enter the total. Provide the name and identifying number of the partnership on a separate sheet.

New York S corporations — Transfer this amount to Form CT-34-SH.

Line 8 — Enter the total amount of monetary contributions made to EZ community development projects that are itemized in Schedule B. Submit supporting documentation indicating the
name(s) of the community development project(s) and the amount of the monetary contributions.

If additional space is necessary, attach additional sheets following the same format.

Schedule C — Limitations of EZ capital tax credit

Line 12 — Enter the EZ capital tax credit that was allowed in previous tax years, less any recaptured credit. This amount is the result of adding the amounts from line 18 and line 20 from your prior year Form CT-602.

Line 13 — Subtract line 12 from line 11. The result represents the amount of credit that may still be claimed in each of the categories.

Line 14 — For column A, enter the amount from line 13 or Schedule A, line 3, whichever is less.

For column B, enter the amount from line 13 or Schedule B, line 7, whichever is less.

Line 16 — Tax credits must be applied in a certain order. Refer to the instructions of your franchise tax return to determine the correct order. For Article 9-A only, refer to Form CT-600-1, Instructions for Form CT-600 — Ordering of Corporation Tax Credits, for the order of credits.

If you are claiming more than one tax credit for this year, enter the amount of credit(s) you wish to apply against your franchise tax due before the application of the EZ capital tax credit. Otherwise enter 0. Article 33 filers enter 0, as under Article 33 no tax credits may be applied before the EZ capital tax credit.

Also, if filing as a member of a combined return, include any amount of tax credit(s), including EZ capital tax credit(s), being claimed by other members of the combined group that you wish to apply before your EZ capital tax credit. Article 33 combined filers include only the amount of EZ capital tax credit(s) being claimed by other members of the combined group that you wish to apply before your EZ capital tax credit.

Schedule D — Computation of EZ capital tax credit and carryover

Line 24 — If line 22 is greater than line 23, subtract line 23 from line 22. If line 23 is greater than line 22, subtract line 22 from line 23, and enter the result as a negative number with a minus (-) sign. This is your net EZ capital tax credit recapture. Enter the amount here and on Form CT-3, CT-3-A, CT-32, CT-32-A, CT-33, CT-33-A, or CT-33-NL. Do not complete lines 25 and 26 if you have a net EZ capital tax credit recapture.

Line 25 — Enter the lesser of line 10, line 19, or line 24 on line 25 and on Form CT-3, CT-3-A, CT-32, CT-32-A, CT-33, CT-33-A, or CT-33-NL.

Line 26 — Subtract line 25 from line 24 to compute your EZ capital tax credit to be carried forward to future years. You will need to refer to this figure when completing Form CT-602 for 2006.

Schedule E — Recapture of EZ capital tax credit

If a taxpayer sells, transfers, or otherwise disposes of stock, a partnership interest, or other ownership interest arising from the making of a qualified investment, or if a contribution or investment is recovered by the taxpayer that was the basis for the allowance of the credit, and the disposal or recovery occurs during the tax year or within 36 months from the close of the tax year when the credit was allowed, the difference between the credit taken and the credit allowed must be added back.

Column C — For recapture purposes, the amount of the credit to be added back must be the portion of the credit attributable to the stock, or other ownership interest disposed of, or the payment or contribution recovered, multiplied by one of the following percentages:

- 100%, if the disposition or recovery occurs within the tax year or within 12 months of the close of the tax year in which the credit was allowed
- 67%, if the disposition or recovery occurs more than 12 months, but not more than 24 months, after the end of the tax year in which the credit was allowed
- 33%, if the disposition or recovery occurs more than 24 months, but not more than 36 months, after the end of the tax year in which the credit was allowed

Line 27 — Add column D amounts. Enter here and on line 23. New York S corporations should include the total from line 27 on Form CT-34-SH, and provide shareholders with their share of the recaptured credit. However, New York S corporations recapturing credit amounts originated in a New York C corporation year must include any such amounts on the applicable line of your New York S corporation franchise tax return.

If additional space is necessary, attach additional sheets following the same format.

C corporations: When you compute your EZ capital tax credit in future periods, you will use this line 27 amount to complete the appropriate columns of Form CT-602, Schedule C, Part II.

Shareholders of New York S corporations: When you compute your EZ capital tax credit in future periods, you will use your share of this line 27 amount to complete the appropriate columns of Form IT-602, Schedule E, Part 2.

Need help?

Internet access: www.nystax.gov
(for information, forms, and publications)

Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week. 1 800 748-3676

Telephone assistance is available from 8:00 A.M. to 5:00 P.M. (eastern time), Monday through Friday.
To order forms and publications: 1 800 462-8100
Business Tax Information Center: 1 800 972-1233
From areas outside the U.S. and outside Canada: (518) 485-6800

Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. 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 1 800 972-1233.