



Instructions for Form CT-648

Life Sciences Research and Development Tax Credit

Tax Law – Article 1, Section 43 and Article 9-A, Section 210-B(52)

CT-648-I

General information

For tax years beginning on or after January 1, 2018, the life sciences research and development tax credit is available to taxpayers subject to tax under Article 22 (personal income tax) or Article 9-A (franchise tax on business corporations). Form CT-648 is for taxpayers subject to tax under Article 9-A (including New York S corporations). Taxpayers subject to tax under Article 22 should complete Form IT-648, *Life Sciences Research and Development Tax Credit*.

To qualify for the life sciences research and development tax credit, a life sciences company must be issued a certificate of tax credit by Empire State Development (ESD). ESD will verify that the life sciences company has met all applicable eligibility criteria before issuing a certificate of tax credit.

For rules and regulations regarding the Life Sciences Research and Development Tax Credit Program, including the application process for the credit, visit ESDs website at www.esd.ny.gov.

Credit details

For a qualified life sciences company that employs 10 or more persons during the tax year, the amount of the credit is equal to 15% of the company's research and development expenditures in New York State for the tax year. For a qualified life sciences company that employs less than 10 persons during the tax year, the amount of the credit is equal to 20% of the company's research and development expenditures in New York State for the tax year.

The credit is allowed for up to three consecutive tax years during which the qualified life sciences company meets the eligible criteria. Subsequent certifications will not extend the three tax year limitation.

The amount of credit allowed for the current tax year is allocated by ESD. ESD will issue a certificate of tax credit annually showing the amount of tax credit and the tax year the credit may be claimed.

Use the information provided on the certificate to complete this form. Submit a copy of your certificate from ESD with your tax return. The credit may be claimed in the tax year specified on the certificate of tax credit issued by ESD. File a separate Form CT-648 for each certificate of tax credit issued to you by ESD.

The total amount of credit allowable to a qualified life sciences company, or, if the life sciences company is properly included or required to be included in a combined return, to the combined group, taken in the aggregate, cannot exceed \$500,000 in any tax year. If the taxpayer is a partner in a partnership or shareholder of a New York S corporation that is a qualified life sciences company, then the total amount of credit allowable will be applied at the entity level, so that the total amount of credit allowable to all the partners or shareholders of each such entity, taken in the aggregate, does **not** exceed \$500,000 in any tax year.

No credit will be allowed for tax years beginning on or after January 1, 2028.

Qualified research and development expenditures used as the basis for the allowance of this credit or used in the calculation of this credit cannot be used to claim any other credits.

Note: Life sciences companies that are not eligible, or do not choose, to participate in the Life Sciences Research and Development Tax Credit Program may be eligible to participate in the Excelsior Jobs Program. For more information, see ESDs website.

The credit may not reduce the tax liability below the fixed dollar minimum tax. Any unused amount of credit for the current tax year will be treated as a refund or overpayment of the tax to be credited to next year's tax. Interest will not be paid on the refund or overpayment.

The credit is **not** allowed against the metropolitan transportation business tax (MTA surcharge) under Article 9-A.

New York S corporations

New York S corporations will calculate a credit, however, the S corporation may not use the credit against its own tax liability. Instead the credit is passed through to the shareholders to use against their personal income tax liabilities on their New York State tax returns. Complete only lines A through E, Schedule A, and Schedule C.

Combined filers

A taxpayer filing as a member of a combined group is allowed to claim the credit, which is computed on a separate basis, but is applied against the combined tax. The total credit claimed by members as qualified life sciences companies, allowed to the combined group, taken in the aggregate, may not exceed \$500,000 in any tax year.

Definitions

Certificate of tax credit means the document issued to a qualified life sciences company by ESD, after ESD has verified that the life sciences company has met all applicable criteria to be eligible for the life sciences research and development tax credit allowed under Tax Law § 43, including but not limited to verifying that the life sciences company is a new business. The certificate will be issued annually if all applicable criteria are satisfied and will specify the exact amount of the life sciences research and development tax credit and the tax year that it may be claimed by that qualified life sciences company.

Life sciences includes:

- agricultural biotechnology,
- biogenetics,
- bioinformatics,
- biomedical engineering,
- biopharmaceuticals,
- academic medical centers,
- biotechnology,
- chemical synthesis,
- chemistry technology,
- medical diagnostics,
- genomics,
- medical image analysis,
- marine biology,
- medical devices,
- medical nanotechnology,

- natural product pharmaceuticals,
- proteomics,
- regenerative medicine,
- ribonucleic acid (RNA) interference,
- stem cell research,
- medical and neurological clinical trials,
- health robotics, and
- veterinary science.

Life sciences company means a business entity or an organization or institution that devotes the majority of its efforts in the various stages of research, development, technology transfer, and commercialization related to any life sciences field.

New business means any business that qualifies as a new business under either Tax Law § 210-B(1)(f) or 606(a)(10).

Qualified life sciences company means a life sciences company, as defined in Economic Development Law (EDL) § 352(11), that has been certified by ESD as a life sciences company and is a new business. However, for purposes of this credit, ESD will **not** certify as a life sciences company any corporation, partnership, limited partnership, or other entity that has been within the immediately preceding 60 months a related person to an entity that is a life sciences company or an entity that is engaged in scientific research and development as defined in EDL § 352(22).

Research and development expenditures means qualified research expenses as defined in Internal Revenue Code (IRC) § 41(b). However, qualified research expenses do **not** include amounts under IRC § 41(b)(1)(B) and as further described in IRC § 41(b)(3). If IRC § 41 has expired, then the research and development expenses will be calculated as if the federal research and development credit structure and definition in effect in IRC § 41 in federal tax year 2009 were still in effect.

Related person means a related person as defined in IRC § 465(b)(3)(C). For this purpose, a related person will include an entity that would have qualified as a related person if it had not been dissolved, liquidated, merged with another entity or otherwise ceased to exist or operate.

Line instructions

Line A – Mark an **X** in the appropriate box to determine the parts of this form you need to complete. If you are claiming this credit **both** as a corporation that earned the credit **and** as a corporate partner receiving a share of the credit, mark an **X** in the Yes box and complete all appropriate schedules on one Form CT-648.

Line E – You may claim the credit for three consecutive tax years, beginning with the first tax year on or after January 1, 2018, during which the qualified life sciences company meets the eligibility criteria.

Additional sheets – If you have more entries than will fit on the lines provided in Schedules B and C, attach additional sheets in the same format as the schedule. Include your name and taxpayer identification number on each sheet and attach them and Form CT-648 to your tax return.

Schedule A – Computation of credit

Line 1 – Enter the amount of credit listed on your certificate of tax credit issued by ESD. This amount may not exceed \$500,000. Attach a copy of your certificate.

Schedule B – Combined filer limitation for multiple life sciences research and development credit claims

Complete this schedule if you are filing a combined return and more than one member of the combined group is claiming this credit as a qualified life sciences company. The total credit amount allowed to the combined group may not exceed \$500,000.

Column B – List only the life sciences research and development tax credits claimed by a member of the combined group that is itself a **qualified life sciences company** that you want to apply prior to the credit claimed on line 1 of this form. List the member name and amounts of credit applied for each member and total all amounts.

Note: Do **not** include a credit any member received as a corporate partner.

Schedule C – Partnership information

If you were a partner in a partnership and received a share of the credit from that entity, enter the name, employer identification number, certificate number from the partnership's certificate of tax credit, and the credit amount passed through to you from the partnership.

Line 5

CT-3-A filers: If you are required to complete Schedule B, add lines 3 and 4; otherwise, add lines 1 and 4.

All others: Add lines 1 and 4.

New York S corporations: Include this amount on Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule*, and provide your shareholders with their pro rata share of the credit. The shareholders will file Form IT-648, *Life Sciences Research and Development Tax Credit*, to claim the credit on their New York State personal income tax returns.

Schedule D – Computation of credit used, refunded, or credited as an overpayment to the next tax year

Line 6 – Enter the amount from Form CT-3 or CT-3-A, Part 2, line 2 **plus** any net recaptured credits.

Line 7 – If you are claiming more than one tax credit for this year, enter the total amount of credits claimed before applying this credit; otherwise, enter **0**. Tax credits must be applied in a certain order. Refer to Form CT-600-I, *Instructions for Form CT-600*, for the correct order of credits.

If filing as a member of a combined group, include any amount of tax credit(s), including the life sciences research and development tax credit(s), being claimed by other members of the combined group that you want to apply before this credit.

Line 9 – Enter your fixed dollar minimum tax from Form CT-3, or the designated agent's fixed dollar minimum tax from Form CT-3-A.

Need help? and Privacy notification

See Form CT-1, *Supplement to Corporation Tax Instructions*.
