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Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1993

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Introduction and Purpose

This report provides an accounting of credit activity under the General Business Corporation Franchise Tax (Article 9-A). The report does not include credit activity attributable to banks, insurance companies or utilities, because such entities are taxable under other articles of the tax law. This study is mandated by Section 109(a) of the Business Tax Reform and Rate Reduction Act of 1987 (BTRRRA). The data used to generate this report come from an annual study conducted by the Office of Tax Policy Analysis (OTPA). The study is based on the latest available data drawn from New York State corporation tax returns. These data pertain to corporations whose taxable year begins on or after January 1, 1993, and ends on or before November 30, 1994 (hereinafter referred to as the 1993 tax liability year).

The 1993 report provides a new streamlined format. This report eliminates certain tables that were generally confusing and largely duplicative. For example, tables previously showing credit data by size of credit earned, claimed, and carried forward have been removed. In addition, the series of tables representing total credits has been eliminated. Because the investment tax credit (ITC) represents more than 95 percent of total credit activity, these tables generally reflected ITC activity. The ITC tables, including all of the credit components, remain in the report. Table 6, which shows total credits by tax year, also remains in the report. A new profile, showing alternative minimum tax credit (AMT) activity, has been added to the report.

Series of this report will include a focus section. The focus section is a new feature that will briefly present data and analysis of a different area of credit activity each year. This year the focus section presents an historical analysis of total credit usage from 1988 to 1993. Data limitations restrict an historical analysis to the credit used component. The section presents data, graphics and analysis of the credit usage during this time period.

Definitions and descriptions of the various tax credits that may have affected credit activity for the time period analyzed appear in Appendix A. Highlights of tax law changes after 1994 appear in Appendix B. Appendix C contains the legislative mandate for the report.

Highlights for 1993

- Corporate taxpayers *earned* a total of \$176 million in credits, *claimed* a total of \$1,264 million in credits and *used* a total of \$68 million in credits against their Article 9-A liability.
- The Investment Tax Credit accounted for almost 96 percent of all tax credits used.
- The manufacturing industry accounted for more than 80 percent of the value of all tax credits used.
- Almost 72 percent of total credits used were in amounts of more than \$100,000.

Focus Section: History of Total Credits Used - 1988-1993

Purpose

This is the first in a series of focus sections in this report highlighting a particular area of credit activity. The focus section for this report presents historical profiles of credits used by tax base, major industry group, size of entire net income, and size of credit used. All tables include both the number of taxpayers and the amount of credit used for each profile from 1988-1993.

Table 1 provides data on the number of taxpayers using credits by tax base and the amount of credits used by base. The data span the period from 1988-1993.

Table 1: Profile of Total New York State Credits Used by Basis of Taxation - 1988-1993 Liability Years

Section A						
Basis of Taxation	Number of Taxpayers					
	1988	1989	1990	1991	1992	1993
Entire Net Income	1,029	533	237	509	559	709
Fixed Dollar Minimum Tax	926	802	768	666	642	715
Capital Base	133	88	126	77	102	121
Alternative Minimum Tax	1,750	1,432	1,187	1,354	1,325	1,475
Total	3,838	2,855	2,318	2,606	2,628	3,020
Section B						
Basis of Taxation	Amount of Credit Used					
	1988	1989	1990	1991	1992	1993
Entire Net Income	\$ 64,080,744	\$12,541,918	\$ 7,570,404	\$ 7,812,513	\$10,956,690	\$17,938,238
Fixed Dollar Minimum Tax	6,265,372	4,703,041	4,006,594	7,306,637	5,412,674	5,953,665
Capital Base	1,304,074	1,108,447	4,435,077	562,553	338,836	535,453
Alternative Minimum Tax	104,949,029	63,457,233	41,918,774	46,693,239	50,321,898	43,269,965
Total	\$176,599,219	\$81,810,639	\$57,930,849	\$62,374,942	\$67,030,098	\$67,697,321

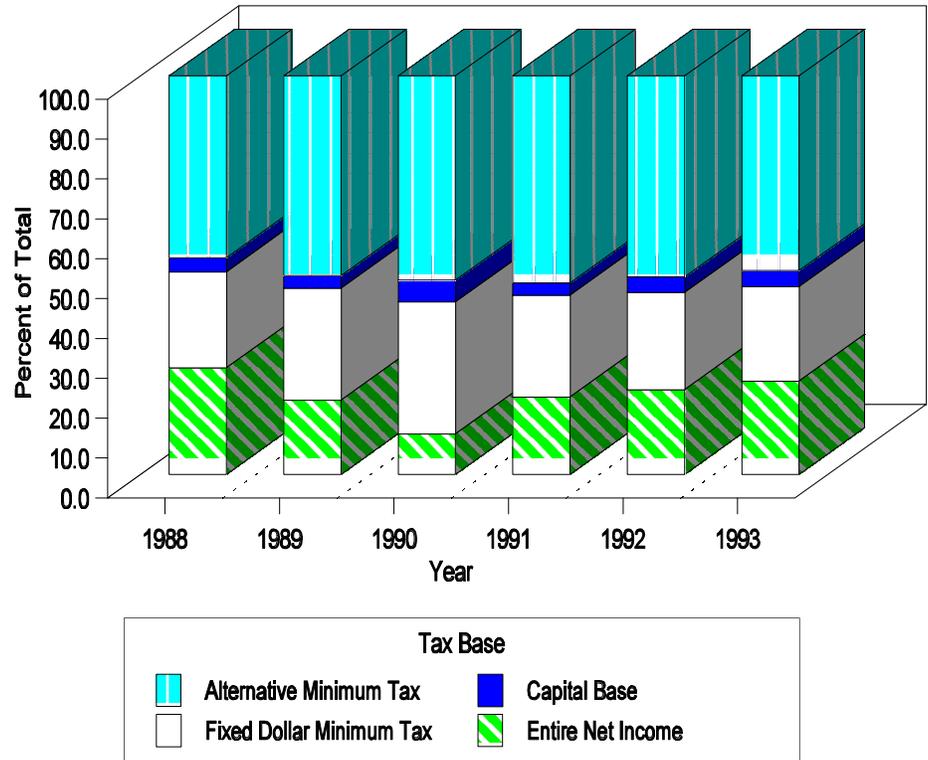
Figure 1 displays how the share of taxpayers under each base has changed over time. The entire net income (ENI) and capital bases in each year represent taxpayers who began under these bases, used credits, and remained under these bases (despite the use of credits). The fixed dollar minimum and alternative minimum tax (AMT) bases represent two different classes of taxpayers. The bases could include taxpayers who started under one of the other bases, such as ENI, but because of credits ended up either paying the fixed dollar minimum tax or the AMT.¹ These bases could also include taxpayers who used credits to strictly offset their subsidiary capital tax.

In 1988, the greatest share of taxpayers who used credits paid under the AMT base. This share represented nearly half of total taxpayers under all bases, equaling 46 percent. The share of taxpayers who paid under ENI represented 27 percent of the total, while those who paid the fixed dollar minimum constituted 24 percent. The capital base share represented only 4 percent of total number of taxpayers under each base.

By 1990, the AMT base share had increased to 51 percent. The second largest share no longer constituted taxpayers under the ENI base, whose share had dropped to 10 percent. Many taxpayers who previously paid under the ENI base shifted to the AMT base as a result of a widespread recession and tax law changes made to the AMT. These tax law changes resulted in limiting the number of taxpayers able to use credits. The share of taxpayers who used credits under the fixed dollar minimum increased from 1988, representing the second largest share of the total. The capital base had increased slightly to 5 percent of the total.

In 1993, the greatest share of taxpayers who used credits continued to pay under the AMT base. This share, representing 49 percent, had dropped slightly from 1990. By a slight margin, taxpayers who used credits under the fixed dollar minimum tax constituted the second largest share of the total. This share also showed a decline from 1990. The ENI base represented the next highest percentage of total taxpayers under all bases. This share more than doubled from 1990 as the economy improved. The capital base had declined slightly to 4 percent.

Figure 1: Share of Taxpayers Using Credits by Tax Base



Share of Taxpayers Using Credits by Tax Base						
Basis of Taxation	1988	1989	1990	1991	1992	1993
Entire Net Income	26.8	18.7	10.2	19.5	21.3	23.5
Fixed Dollar Minimum Tax	24.1	28.1	33.1	25.6	24.4	23.7
Capital Base	3.5	3.1	5.4	3.0	3.9	4.0
Alternative Minimum Tax	45.6	50.2	51.2	52.0	50.4	48.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Figure 2 displays the Table 1, Section B distribution of total credits used under each tax base from 1988 to 1993. As previously noted, the base distributions represent credits used either by taxpayers who remained under the same base, who switched to another base or who used credits to offset their subsidiary capital tax.

The proportion of credits used under the ENI base fell from 36.3 percent in 1988 to 26.5 percent in 1993 as more taxpayers became subject to the

AMT. The proportion of credits used under the capital base increased slightly, from 0.7 percent to 0.8 percent. To a greater extent, the proportion of credits used by taxpayers switching bases to end up under the fixed dollar minimum tax also increased from 3.5 percent to 8.8 percent. The credits used by taxpayers who switched to the AMT base represented a slightly larger proportion of total credits used in 1993 than in 1988. Tax law changes made to the AMT in 1990 not only limited the number of taxpayers able to use credits, but also the *amount* of credits used by taxpayers in subsequent years. Tax law changes made to the AMT in 1994 and 1995 will have a positive effect on the amount of credits used by taxpayers.²

Figure 2: Distribution of Total Credits Used by Base for 1988 and 1993

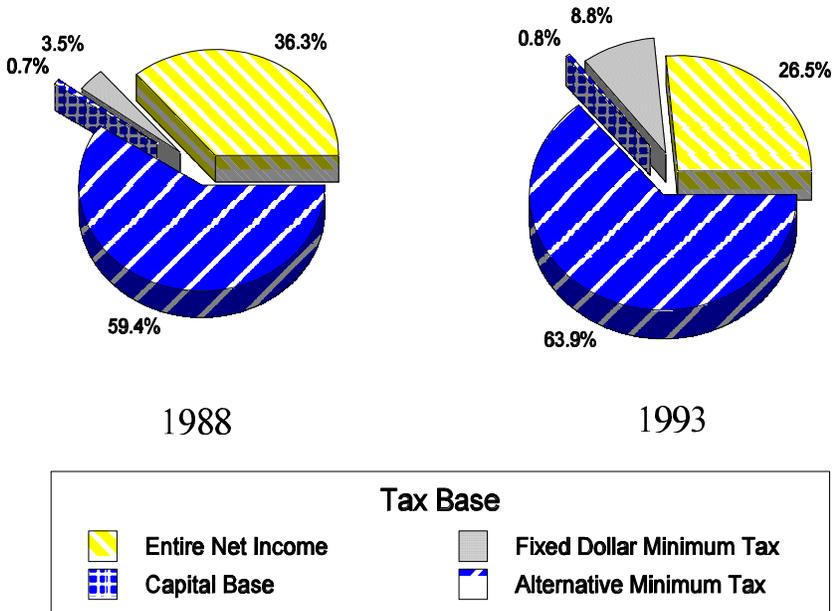


Table 2 presents historical data on total credits used by major industry group. The manufacturing industry represented the majority of taxpayers using credits, while the transportation and commercial sector constituted the fewest number. The overall industry trend has not changed since 1988.

The lowest level of total credit usage occurred in 1990, a recession year and one in which major tax law changes affected the AMT.³ The

manufacturing sector represented the greatest amount of credits used over time. The greatest amount of credit used took place in 1988, totaling \$117.8 million. The least amount of credit used by this industry occurred in 1990, totaling \$47.7 million. While taxpayers in the transportation sector constituted the fewest number using credits, the agriculture industry ranked lowest for total amount of credit used over time.

Table 2: Profile of Total New York State Credits Used by Major Industry Group - 1988-1993 Liability Years

Section A						
Major Industry Group	Number of Taxpayers					
	1988	1989	1990	1991	1992	1993
Unidentifiable	11	5	205	74	96	21
Agriculture	184	175	27	108	119	139
Mining	65	56	45	46	43	42
Construction	86	62	47	73	76	110
Manufacturing	2,727	2,017	1,576	1,741	1,691	1,862
Trans., Comm., Pub. Utilities Services	23	25	18	28	35	33
Wholesale Trade	230	173	118	159	147	227
Retail Trade	87	55	47	59	88	126
Finance, Insurance and Real Estate	198	136	108	117	133	182
Services	227	151	127	201	200	278
Total	3,838	2,855	2,318	2,606	2,628	3,020
Section B						
Major Industry Group	Amount of Credit Used					
	1988	1989	1990	1991	1992	1993
Unidentifiable	\$ 29,974	\$ 8,904	\$ 3,703,522	\$ 475,738	\$ 1,953,750	\$ 44,799
Agriculture	380,242	255,841	78,442	276,038	193,526	330,509
Mining	2,047,782	1,103,762	978,553	1,078,789	498,584	499,338
Construction	512,116	275,451	475,459	288,075	384,955	532,473
Manufacturing	117,795,039	65,370,984	47,672,510	52,524,402	52,694,689	54,309,171
Trans., Comm., Pub. Utilities Services	8,543,223	982,839	304,213	1,468,088	1,737,639	3,919,819
Wholesale Trade	2,633,954	2,199,866	1,936,775	913,751	998,753	1,762,686
Retail Trade	1,465,797	1,745,577	102,807	519,235	1,283,863	649,675
Finance, Insurance and Real Estate	40,935,377	8,619,025	1,729,532	3,364,816	5,791,175	4,113,346
Services	2,255,715	1,248,390	949,036	1,466,010	1,493,164	1,535,505
Total	\$176,599,219	\$81,810,639	\$57,930,849	\$62,374,942	\$67,030,098	\$67,697,321

Table 3 presents historical data on total credits used by size of ENI. The majority of taxpayers had ENI in the \$1 to \$99,999 range. This trend remained consistent over time. The fewest number of taxpayers had ENI of \$500 million and over. This trend had not changed over time, although the total number of taxpayers had declined since 1988. Consistent since 1988, the fewest number of taxpayers used the greatest

amount of credit. In general, the majority of taxpayers, those with ENI between \$1-\$99,999, represented the least amount of credit used.

Table 3: Profile of Total New York State Credits Used by Size of Entire Net Income - 1988-1993 Liability Years

Section A						
Size of Entire Net Income	Number of Taxpayers					
	1988	1989	1990	1991	1992	1993
Zero or Net Loss	862	723	858	248	708	758
\$ 1 - \$ 99,999	1,396	943	760	1,113	789	1,014
\$ 100,000 - \$ 499,999	713	527	330	543	447	518
\$ 500,000 - \$ 999,999	216	173	107	189	156	154
\$ 1,000,000 - \$ 24,999,999	497	381	218	416	405	459
\$ 25,000,000 - \$ 49,999,999	36	30	15	33	41	35
\$ 50,000,000 - \$ 99,999,999	38	27	11	29	31	28
\$100,000,000 - \$499,999,999	59	37	14	29	44	44
\$500,000,000 and Over	21	14	5	6	7	10
Total	3,838	2,855	2,318	2,606	2,628	3,020
Section B						
Size of Entire Net Income	Amount of Credit Used					
	1988	1989	1990	1991	1992	1993
Zero or Net Loss	\$ 7,095,658	\$ 5,445,590	\$ 8,491,733	\$ 3,925,019	\$ 6,069,055	\$ 6,687,476
\$ 1 - \$ 99,999	1,825,611	896,272	1,193,260	1,555,606	628,031	830,891
\$ 100,000 - \$ 499,999	4,457,945	2,538,982	1,535,497	2,679,993	1,688,300	1,954,133
\$ 500,000 - \$ 999,999	3,368,796	2,313,536	1,152,511	2,095,325	1,425,365	1,495,258
\$ 1,000,000 - \$ 24,999,999	29,678,920	16,620,900	12,979,664	12,879,323	13,147,575	4,215,123
\$ 25,000,000 - \$ 49,999,999	8,663,060	3,755,133	2,510,193	3,832,316	5,195,731	3,046,510
\$ 50,000,000 - \$ 99,999,999	10,953,622	3,976,338	905,661	5,284,521	4,599,326	3,035,352
\$100,000,000 - \$499,999,999	43,229,156	14,511,503	9,703,570	8,004,321	13,664,090	16,602,003
\$500,000,000 and Over	67,326,451	31,752,385	19,458,760	22,118,518	20,612,625	19,830,575
Total	\$176,599,219	\$81,810,639	\$57,930,849	\$62,374,942	\$67,030,098	\$67,697,321

Table 4 presents credit data by size of credit used from 1988-1993. Section A presents data on the number of taxpayers and Section B presents data on the dollar value of credits used. Because the tables display the distribution of credit usage by 'size of credit' the trends remain the same in both tables. The tables illustrate that the largest change in credit usage occurred between 1988 and 1989. This significant decline was a result of changes in the economy and an increase in the AMT rate from 3.5 percent to 5 percent.

Table 4: Profile of Total New York State Credits Used by Size of Credit Used - 1988-1993 Liability Years

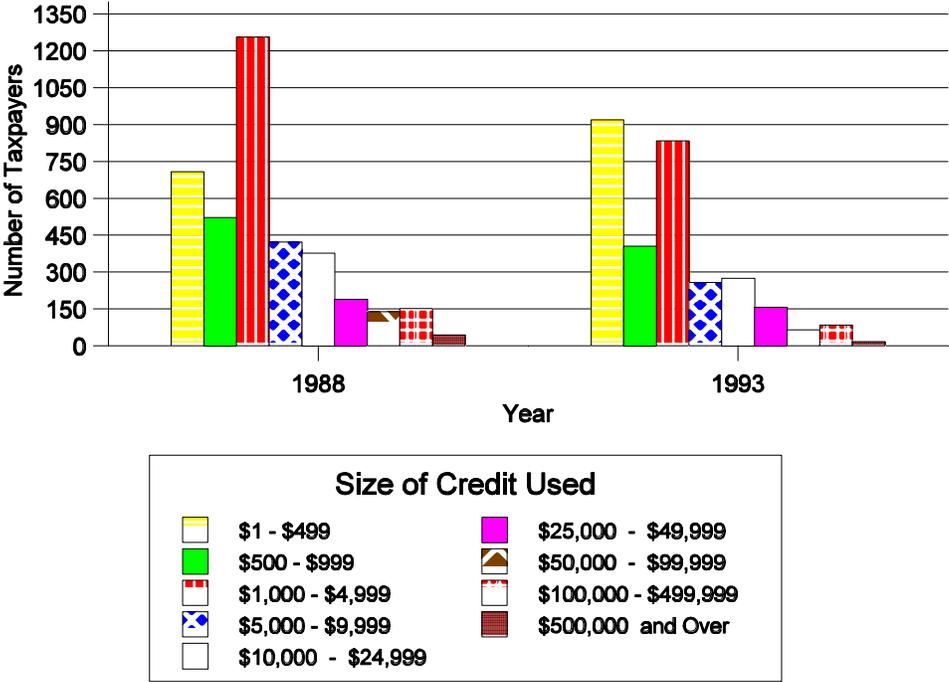
Section A						
Size of Credit Used	Number of Taxpayers					
	1988	1989	1990	1991	1992	1993
Negative 1/	28	10	0	12	0	0
Zero	0	0	0	0	0	0
\$ 1 - \$ 499	708	629	669	715	729	920
\$ 500 - \$ 999	522	427	363	323	373	406
\$ 1,000 - \$ 4,999	1,256	890	676	771	730	834
\$ 5,000 - \$ 9,999	422	277	177	243	217	258
\$ 10,000 - \$ 24,999	377	259	207	255	265	275
\$ 25,000 - \$ 49,999	190	162	88	126	132	157
\$ 50,000 - \$ 99,999	139	87	63	79	83	66
\$100,000 - \$499,999	152	92	60	66	80	85
\$500,000 and Over	44	22	15	16	19	18
Total	3,838	2,855	2,318	2,606	2,628	3,019
Section B						
Size of Credit Used	Amount of Credit Used					
	1988	1989	1990	1991	1992	1993
Negative 1/	(\$818,273)	(\$813,624)	\$ 0	(\$351,866)	\$ 0	\$ 0
Zero	0	0	0	0	0	0
\$ 1 - \$ 499	171,585	158,543	146,910	151,577	156,168	182,612
\$ 500 - \$ 999	382,055	315,561	263,215	234,430	265,095	297,385
\$ 1,000 - \$ 4,999	2,976,305	2,125,924	1,569,455	1,817,298	1,690,439	1,961,325
\$ 5,000 - \$ 9,999	2,972,346	1,960,761	1,274,220	1,769,372	1,557,145	1,800,952
\$ 10,000 - \$ 24,999	6,001,227	4,188,396	3,352,764	4,057,556	4,147,629	4,427,160
\$ 25,000 - \$ 49,999	6,758,250	5,648,484	3,083,809	4,334,469	4,760,162	5,366,642
\$ 50,000 - \$ 99,999	9,858,583	6,082,483	4,414,556	5,304,827	5,686,066	4,740,923
\$100,000 - \$499,999	31,418,588	19,336,102	11,493,403	14,416,688	16,780,422	17,204,216
\$500,000 and Over	116,878,553	42,808,009	32,332,517	30,640,591	31,986,972	31,717,731
Total	\$176,599,219	\$81,810,639	\$57,930,849	\$62,374,942	\$67,030,098	\$67,698,946

1/ Recapture exceeds amount of available credit.

Figure 3 graphically illustrates Table 4, Section A to show the size of total credits used by taxpayers for 1988 and 1993.⁴ In 1988, the greatest number of taxpayers used credits totaling between \$1,000 and \$4,999. A significant difference existed between the number of taxpayers using credits in this category and the next highest number of taxpayers using credits in the \$1 to \$499 range. The fewest number of taxpayers used credits totaling \$500,000 and over.

In 1993, the size of credits used by the greatest number of taxpayers had changed. Taxpayers using credits totaling between \$1 and \$499 now represented the greatest number. The difference between the two categories also became less pronounced. The number of taxpayers using credits between \$1 to \$499 and \$1,000 to \$4,999 became almost equal. As in 1988, the fewest number of taxpayers used credits totaling \$500,000 and over.

Figure 3: Number of Taxpayers Using Credits by Size of Credits Used



Endnotes

1. The post 1989 data do not include taxpayers who paid under the AMT, but who were unable to use credits due to tax law changes made to the AMT in 1990 and subsequent years. For example, in 1988, 3,838 total taxpayers used credits under all tax bases. By 1993, primarily because of changes made to the AMT, this number had dropped to 3,020. This decline is deceiving, however, because while the size of the universe of taxpayers who had credits available has not changed significantly since 1988, 622 taxpayers were unable to use credits in 1993. As a result, these taxpayers are not reflected in the 1993 analysis. For a more detailed discussion of the effect of the alternative minimum tax on credit usage, see New York State Department of Taxation and Finance, Office of Tax Policy Analysis, The Effectiveness of the ITC: An Evaluation of New York's Investment Tax Credit (February, 1996).
2. For a full description of 1994-1995 tax law changes affecting the AMT, see New York State Department of Taxation and Finance, Office of Tax Policy Analysis, New York State Fiscal Year 1994-95 Budget Summary of Tax Provisions (June 1994).
3. Not including the unidentifiable taxpayer category.
4. The data do not include taxpayers whose recapture amounts exceeded the amount of available credit or 0 amounts.

Analysis of Statistical Data: Tax Year 1993

Description of Tables

The following tables present information for the corporate tax credits.¹

The tables present data on the number of taxpayers taking the credit, the total amount of credit, the average (mean) amount of credit and the median amount of credit,² for the following components of each credit:³

Credit Earned -	The amount of credit generated in the current tax year.
Credit Claimed -	The amount of credit which the taxpayer is entitled to use during the taxable year, including credit carried forward from prior years.
Credit Used -	The amount of credit which the taxpayer actually used to reduce tax liability. ⁴
Credit Carried Forward -	Any unused amount of credit which is allowed to be used to offset tax liability in future years.

A series of tables presents a profile of the credit(s) distributed by a different subgrouping. The subgroupings include: basis of taxation after credits, major industry group, size of entire net income, and size of credit used. Due to secrecy provisions, all subgroupings are not provided for all credits, and the tables do not present detailed information about refundable credits.

The major industry group category is based on Standard Industrial Classification Codes (SICs). The Internal Revenue Service asks taxpayers to identify their principal business activity using SIC codes on their tax returns. These codes identify the general type of business activity in which the entity is engaged. The major industry groups

presented in this report consist of agriculture; mining; construction; manufacturing; transportation, communications, public utilities' services; wholesale trade; retail trade; finance, insurance and real estate; and services. Taxpayers who fail to provide SIC information, or who may report outdated codes, become unidentifiable by industry group and are classified as such in this report.

Data Considerations

The data contained in these tables come directly from the returns of corporations claiming credits. Therefore, the data are deemed suitable for this statistical presentation.

Taxpayers allowed to take the investment tax credit (ITC) and the employment incentive credit (EIC) report the amounts of these credits earned during the tax year on separate lines on tax form CT-46. However, when computing the credit claimed, used and carried forward, the taxpayer combines the ITC and EIC on the CT-46. This study presents these combined amounts for each of the credit components.

Summary of Credit Activity

The following table summarizes tax credit activity by component and type of credit. The totals in the summary table may not match the detail tables due to rounding and disclosure requirements. This table also provides information on recaptured and refundable credits. In the following table only, "-" indicates that the component does not apply to the credit or that the data for that component are not available.

In subsequent tables, N/A means that the data for that component are not available. In addition, N/A also encompasses data which cannot be provided because of secrecy provisions. These taxpayers were excluded from the computation of the totals shown in the tables. However, means and medians were computed using all taxpayers in the study. The available data for all tables do not reflect changes made on audit or as the result of amended filings.

Table 5: Comparison of Article 9-A Tax Credit Activity 1992 and 1993

Component	1992 (\$ millions)					Total
	Investment Credit	Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	
Total Credit Earned	\$ 249.5	1.6	-	4.0	-	\$ 255.2
Unused Credit from Earlier Year	908.1	2.0	-	3.4	-	913.6
Total Credit Available	1,157.6	3.7	-	7.4	-	1,168.7
Recaptured Credit	43.0	-	-	0.0	-	43.0
Credit Claimed	1,114.6	3.7	-	7.4	-	1,125.7
Credit Used	63.2	0.4	0.8	0.1	2.5	67.0
Refundable Credit	7.3	-	-	0.0	-	7.3
Credit Carried Forward	1,044.1	3.3	-	7.3	-	1,054.6

Component	1993 (\$ millions)					Total
	Investment Credit	Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	
Total Credit Earned	\$ 172.1	1.8	-	2.5	-	\$ 176.4
Unused Credit from Earlier Year	1,112.9	4.9	-	4.9	-	1,122.7
Total Credit Available	1,285.1	6.7	-	7.4	-	1,299.2
Recaptured Credit	35.5	-	-	0.0	-	35.5
Credit Claimed	1,249.6	6.7	-	7.4	-	1,263.7
Credit Used	64.9	0.7	0.0	0.3	1.5	67.7
Refundable Credit	6.3	-	-	0.0	-	6.3
Credit Carried Forward	1,178.4	6.0	-	6.9	-	1,191.4

Overview of Major Credit Provisions

This section provides an overview of credit provisions effective for tax years beginning prior to January 1, 1994. These credits are discussed in more detail in Appendix A. Appendix B describes changes to the tax law effective for tax years beginning on or after January 1, 1994. Appendix C contains the legislative mandate for the report.

Investment Tax Credit

The rate for the ITC equals 5 percent of the first \$350 million of investments, and 4 percent for investments over that amount.

Employment Incentive Credit

Taxpayers allowed an ITC may be eligible for the EIC. This credit is a two-year credit determined by the original investment credit base. The rate equals 1.5 percent if employment equals at least 101 percent, but less than 102 percent of base year employment. The rate equals 2 percent if

	<p>employment equals at least 102 percent, but less than 103 percent of base year employment. The rate equals 2.5 percent if employment equals at least 103 percent of base year employment.</p>
<p>Credit on Research and Development Property Under the Investment Tax Credit</p>	<p>Research and development property (R&D) qualifies for the ITC. Taxpayers may either choose the R&D rate of 9 percent or the lower investment tax credit rate. By electing the lower rate, taxpayers also become eligible for the EIC in subsequent years based on increased employment. (Because of the consolidation of these credits on the tax return, separate data on the amount of research and development credit under the ITC do not appear in this report.)</p>
<p>Pre-1987 Research and Development Tax Credit</p>	<p>An unused research and development tax credit may be carried forward to any tax year beginning before January 1, 1994. None of this credit was used in either 1992 or 1993.</p>
<p>Economic Development Zone Credits</p>	<p>These credits include an investment tax credit, a wage credit (for wages paid to targeted and non-targeted employees in such zones), and a capital corporation tax credit (for the purchase of original issue stock issued by a certified economic development zone capital corporation).</p>
<p>Alternative Minimum Tax Credit</p>	<p>In certain instances, taxpayers could be subject to double taxation on the same transaction under the regular tax system and the alternative minimum tax (AMT). To eliminate this double-tax result, the law provides a credit mechanism. The AMT credit equals the taxpayer's adjusted minimum tax, minus any amount used as a minimum tax credit in prior years. (For a complete explanation, see Appendix A.)</p>

Endnotes

1. Due to space limitations some credit titles have been shortened in certain statistical tables. For example, the “Special Additional Mortgage Recording Tax Credit” has been shortened to “Additional Mortgage Recording Credit.” The “Fixed Dollar Minimum Tax” has been shortened to the “Minimum Tax.”
2. As used in this report, “Mean Amount of Credit” is defined as the average amount of credit in a given category. “Median Amount of Credit” is defined as the central value representing an equal number of credit values below and above it.
3. There is only data available for the “credit used” component for the Job Incentive Credit and the Alternative Minimum Tax Credit.
4. Taxpayers may use credits to reduce their computed liabilities under the entire net income base or capital base alternatives. However, they may not reduce their liability below the amount computed under the alternative minimum tax base or the fixed dollar minimum base, whichever is higher.

Table 6: Profile of Total New York State Credits

Credits Earned by Year and Credit

Credit	1992		1993	
	Number of Taxpayers	Amount of Credit Earned	Number of Taxpayers	Amount of Credit Earned
Investment Tax Credit	2,714	\$249,503,321	2,926	\$172,110,283
Additional Mortgage Recording Credit	33	1,638,515	50	1,846,338
Job Incentive Credit	N/A	N/A	N/A	N/A
EDZ Wage Credit	4	143,915	5	225,706
EDZ Capital Corporation Credit	N/A	N/A	N/A	N/A
EDZ Investment Tax Credit	14	3,897,545	22	2,265,315
Research & Development Credit	N/A	N/A	N/A	N/A
Alternative Minimum Tax Credit	N/A	N/A	N/A	N/A

Credits Claimed by Year and Credit

Credit	1992		1993	
	Number of Taxpayers	Amount of Credit Claimed	Number of Taxpayers	Amount of Credit Claimed
Investment Tax Credit	3,449	\$1,114,614,062	3,706	\$1,249,605,587
Additional Mortgage Recording Credit	55	3,687,585	99	6,738,235
Job Incentive Credit	N/A	N/A	N/A	N/A
EDZ Wage Credit	4	184,697	6	312,858
EDZ Capital Corporation Credit	N/A	N/A	N/A	N/A
EDZ Investment Tax Credit	18	7,220,202	26	7,065,059
Research & Development Credit	N/A	N/A	N/A	N/A
Alternative Minimum Tax Credit	N/A	N/A	N/A	N/A

Table 6: Profile of Total New York State Credits

Credits Used by Year and Credit

Credit	1992		1993	
	Number of Taxpayers	Amount of Credit Used	Number of Taxpayers	Amount of Credit Used
Investment Tax Credit	2,319	\$63,222,923	2,509	\$64,871,054
Additional Mortgage Recording Credit	38	395,076	66	709,930
Job Incentive Credit	11	762,871	5	27,437
EDZ Wage Credit	N/A	N/A	N/A	N/A
EDZ Capital Corporation Credit	N/A	N/A	N/A	N/A
EDZ Investment Tax Credit	7	56,321	13	339,704
Research & Development Credit	N/A	N/A	N/A	N/A
Alternative Minimum Tax Credit	265	2,497,139	442	1,541,551

Credits Carried Forward by Year and Credit

Credit	1992		1993	
	Number of Taxpayers	Amount of Credit Carried Forward	Number of Taxpayers	Amount of Credit Carried Forward
Investment Tax Credit	2,873	\$1,044,056,224	2,973	\$1,178,413,513
Additional Mortgage Recording Credit	24	3,268,522	68	6,028,305
Job Incentive Credit	N/A	N/A	N/A	N/A
EDZ Wage Credit	3	153,787	5	201,226
EDZ Capital Corporation Credit	N/A	N/A	N/A	N/A
EDZ Investment Tax Credit	18	7,163,881	28	6,725,375
Research & Development Credit	N/A	N/A	N/A	N/A
Alternative Minimum Tax Credit	N/A	N/A	N/A	N/A

Table 7: Profile of New York State Investment Tax Credit by Basis of Taxation - 1993 Liability Year

Credit Earned

Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Entire Net Income	402	\$ 14,757,674	8.57	\$2,140	\$36,711
Minimum Tax 1/	830	62,057,120	36.06	2,914	74,768
Capital Base	69	397,329	0.23	1,144	5,758
Alternative Minimum Tax	1,625	94,898,160	55.14	5,908	58,399
Total	2,926	\$172,110,283	100.00	\$4,338	\$58,821

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	431	\$ 16,596,378	1.33	\$ 2,247	\$ 38,507
Minimum Tax 1/	1,227	594,407,682	47.57	12,937	484,440
Capital Base	79	405,368	0.03	1,003	5,131
Alternative Minimum Tax	1,969	638,196,159	51.07	22,668	324,122
Total	3,706	\$1,249,605,587	100.00	\$14,212	\$337,184

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	421	\$16,596,369	25.58	\$2,322	\$39,421
Minimum Tax 1/	657	5,429,198	8.37	864	8,264
Capital Base	74	405,363	0.62	1,099	5,478
Alternative Minimum Tax	1,357	42,440,124	65.42	2,179	31,275
Total	2,509	\$64,871,054	100.00	\$1,679	\$25,855

Credit Carried Forward

Basis of Taxation	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Entire Net Income	0	\$ 0	0.00	N/A	N/A
Minimum Tax 1/	1,150	586,423,265	49.76	\$13,124	\$509,933
Capital Base	0	0	0.00	N/A	N/A
Alternative Minimum Tax	1,823	591,990,248	50.24	22,695	324,734
Total	2,973	\$1,178,413,513	100.00	\$18,549	\$396,372

1/ See Appendix for description.

Table 8: Profile of New York State Investment Tax Credit by Major Industry Group - 1993 Liability Year

Credit Earned

Major Industry Group	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Unidentifiable	10	\$ 54,304	0.03	\$1,559	\$ 5,430
Agriculture	186	1,164,938	0.68	1,544	6,263
Mining	42	1,280,603	0.74	5,736	30,491
Construction	49	662,291	0.38	2,096	13,516
Manufacturing	2,093	145,516,343	84.55	5,285	69,525
Trans., Comm., Pub. Utilities Services	20	12,321,882	7.16	8,822	616,094
Wholesale Trade	186	2,559,664	1.49	2,820	13,762
Retail Trade	61	526,482	0.31	2,872	8,631
Finance, Insurance and Real Estate Services	67	4,456,213	2.59	4,896	66,511
	212	3,567,563	2.07	3,159	16,828
Total	2,926	\$172,110,283	100.00	\$4,338	\$ 58,821

Credit Claimed

Major Industry Group	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Unidentifiable	15	\$ 1,169,592	0.09	\$ 5,944	\$ 77,973
Agriculture	237	10,633,479	0.85	13,397	44,867
Mining	62	10,821,563	0.87	26,089	174,541
Construction	72	2,184,269	0.17	4,364	30,337
Manufacturing	2,549	1,111,127,394	88.92	18,464	435,907
Trans., Comm., Pub. Utilities Services	28	27,189,316	2.18	25,496	971,047
Wholesale Trade	261	14,177,547	1.13	5,560	54,320
Retail Trade	94	1,454,797	0.12	3,864	15,477
Finance, Insurance and Real Estate Services	95	30,221,174	2.42	9,246	318,118
	293	40,626,456	3.25	5,772	138,657
Total	3,706	\$1,249,605,587	100.00	\$14,212	\$337,184

Table 8: Profile of New York State Investment Tax Credit by Major Industry Group - 1993 Liability Year

Credit Used

Major Industry Group	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Unidentifiable	12	\$ 37,514	0.06	\$ 999	\$ 3,126
Agriculture	138	330,288	0.51	651	2,393
Mining	40	486,051	0.75	1,747	12,151
Construction	50	274,087	0.42	1,086	5,482
Manufacturing	1,797	53,708,534	82.79	2,021	29,888
Trans., Comm., Pub. Utilities Services	20	3,906,326	6.02	6,180	195,316
Wholesale Trade	171	1,662,166	2.56	1,366	9,720
Retail Trade	50	174,377	0.27	584	3,488
Finance, Insurance and Real Estate Services	76	2,876,927	4.43	4,088	37,854
	155	1,414,784	2.18	1,402	9,128
Total	2,509	\$64,871,054	100.00	\$1,679	\$ 25,855

Credit Carried Forward

Major Industry Group	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Unidentifiable	13	\$ 1,132,077	0.10	\$ 6,002	\$ 87,083
Agriculture	223	10,302,304	0.87	13,939	46,199
Mining	54	10,325,616	0.88	27,885	191,215
Construction	54	1,910,180	0.16	5,649	35,374
Manufacturing	2,072	1,051,496,789	89.23	23,480	507,479
Trans., Comm., Pub. Utilities Services	19	23,282,989	1.98	96,363	1,225,420
Wholesale Trade	191	12,178,763	1.03	6,789	63,763
Retail Trade	72	1,277,692	0.11	4,138	17,746
Finance, Insurance and Real Estate Services	47	27,343,564	2.32	31,137	581,778
	228	39,163,539	3.32	8,016	171,770
Total	2,973	\$1,178,413,513	100.00	\$18,549	\$ 396,372

Table 9: Profile of New York State Investment Tax Credit by Size of Entire Net Income - 1993 Liability Year

Credit Earned

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Zero or Net Loss	986	\$ 71,136,641	41.33	\$ 3,398	\$ 72,147
\$ 1 - \$ 99,999	872	6,782,884	3.94	1,774	7,779
\$ 100,000 - \$ 499,999	446	5,406,283	3.14	4,764	12,122
\$ 500,000 - \$ 999,999	141	4,018,314	2.33	9,862	28,499
\$ 1,000,000 - \$ 24,999,999	384	35,158,814	20.43	25,332	91,559
\$ 25,000,000 - \$ 49,999,999	27	2,688,626	1.56	78,529	99,579
\$ 50,000,000 - \$ 99,999,999	23	3,668,483	2.13	76,602	159,499
\$100,000,000 - \$499,999,999	38	32,294,157	18.76	168,804	849,846
\$500,000,000 and Over	9	10,956,081	6.37	448,248	1,217,342
Total	2,926	\$172,110,283	100.00	\$ 4,338	\$ 58,821

Credit Claimed

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Zero or Net Loss	1,394	\$ 668,682,178	53.51	\$ 15,102	\$ 479,686
\$ 1 - \$ 99,999	1,155	36,908,320	2.95	6,755	31,955
\$ 100,000 - \$ 499,999	489	36,518,455	2.92	11,744	74,680
\$ 500,000 - \$ 999,999	150	19,094,912	1.53	23,451	127,299
\$ 1,000,000 - \$ 24,999,999	412	163,025,491	13.05	65,470	395,693
\$ 25,000,000 - \$ 49,999,999	31	19,028,340	1.52	110,680	613,817
\$ 50,000,000 - \$ 99,999,999	25	24,117,976	1.93	125,294	964,719
\$100,000,000 - \$499,999,999	41	93,888,494	7.51	210,714	2,289,963
\$500,000,000 and Over	9	188,341,421	15.07	968,246	20,926,825
Total	3,706	\$1,249,605,587	100.00	\$ 14,212	\$ 337,184

Table 9: Profile of New York State Investment Tax Credit by Size of Entire Net Income - 1993 Liability Year

Credit Used

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Zero or Net Loss	687	\$ 6,071,420	9.36	\$ 1,105	\$ 8,838
\$ 1 - \$ 99,999	742	714,202	1.10	562	963
\$ 100,000 - \$ 499,999	442	1,800,227	2.78	2,914	4,073
\$ 500,000 - \$ 999,999	137	1,346,451	2.08	8,013	9,828
\$ 1,000,000 - \$ 24,999,999	399	13,527,196	20.85	19,471	33,903
\$ 25,000,000 - \$ 49,999,999	29	2,918,884	4.50	64,205	100,651
\$ 50,000,000 - \$ 99,999,999	24	2,855,027	4.40	78,363	118,959
\$100,000,000 - \$499,999,999	40	16,290,275	25.11	213,967	407,257
\$500,000,000 and Over	9	19,347,372	29.82	968,246	2,149,708
Total	2,509	\$64,871,054	100.00	\$ 1,679	\$ 25,855

Credit Carried Forward

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Zero or Net Loss	1,257	\$ 659,278,742	55.95	\$ 17,120	\$ 524,486
\$ 1 - \$ 99,999	1,016	36,086,652	3.06	8,812	35,518
\$ 100,000 - \$ 499,999	325	34,718,224	2.95	31,705	106,825
\$ 500,000 - \$ 999,999	88	17,748,461	1.51	78,447	201,687
\$ 1,000,000 - \$ 24,999,999	245	148,098,463	12.57	176,417	604,484
\$ 25,000,000 - \$ 49,999,999	13	16,109,455	1.37	457,644	1,239,189
\$ 50,000,000 - \$ 99,999,999	10	21,118,288	1.79	765,069	2,111,829
\$100,000,000 - \$499,999,999	16	76,261,179	6.47	1,114,516	4,766,324
\$500,000,000 and Over	3	168,994,049	14.34	19,923,596	56,331,350
Total	2,973	\$1,178,413,513	100.00	\$ 18,549	\$ 396,372

Table 10: Profile of New York State Investment Tax Credit by Size of Credit Used - 1993 Liability Year

Credit Earned

Size of Credit Used	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Negative 2/	0	\$ 0	0.00	N/A	N/A
Zero	832	20,507,722	11.95	\$ 2,573	\$ 24,649
\$ 1 - \$ 499	438	2,356,682	1.37	988	5,381
\$ 500 - \$ 999	274	3,188,248	1.86	1,211	11,636
\$ 1,000 - \$ 4,999	649	8,921,769	5.20	3,444	13,747
\$ 5,000 - \$ 9,999	201	6,696,541	3.90	8,008	33,316
\$ 10,000 - \$ 24,999	242	11,928,214	6.95	17,843	49,290
\$ 25,000 - \$ 49,999	138	14,955,295	8.71	42,957	108,372
\$ 50,000 - \$ 99,999	62	9,933,441	5.79	75,704	160,217
\$100,000 - \$499,999	72	57,808,262	33.68	183,053	802,893
\$500,000 and Over	17	35,351,744	20.60	1,189,263	2,079,514
Total	2,925	\$171,647,918	100.00	\$ 4,338	\$ 58,821

Credit Claimed

Size of Credit Used	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Negative 2/	0	\$ 0	0.00	N/A	N/A
Zero	1,198	147,692,422	11.82	\$ 10,646	\$ 123,282
\$ 1 - \$ 499	615	19,875,046	1.59	4,993	32,317
\$ 500 - \$ 999	354	18,591,634	1.49	6,932	52,519
\$ 1,000 - \$ 4,999	740	59,624,191	4.77	9,242	80,573
\$ 5,000 - \$ 9,999	230	34,669,696	2.77	29,290	150,738
\$ 10,000 - \$ 24,999	262	61,800,307	4.95	34,695	235,879
\$ 25,000 - \$ 49,999	147	93,764,604	7.50	107,538	637,854
\$ 50,000 - \$ 99,999	64	53,825,897	4.31	162,619	841,030
\$100,000 - \$499,999	77	519,256,972	41.55	618,812	6,743,597
\$500,000 and Over	18	240,506,443	19.25	3,579,288	13,361,469
Total	3,705	\$1,249,607,212	100.00	\$ 14,212	\$ 337,184

2/ Recapture exceeds amount of available credit.

Table 10: Profile of New York State Investment Tax Credit by Size of Credit Used - 1993 Liability Year

Credit Used

Size of Credit Used	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Negative 2/	0	\$ 0	0.00	N/A	N/A
Zero	0	0	0.00	N/A	N/A
\$ 1 - \$ 499	616	140,637	0.22	\$ 221	\$ 228
\$ 500 - \$ 999	354	259,149	0.40	730	732
\$ 1,000 - \$ 4,999	740	1,736,469	2.68	2,020	2,347
\$ 5,000 - \$ 9,999	230	1,602,551	2.47	6,808	6,968
\$ 10,000 - \$ 24,999	262	4,202,601	6.48	15,372	16,040
\$ 25,000 - \$ 49,999	147	5,008,216	7.72	32,822	34,069
\$ 50,000 - \$ 99,999	64	4,513,263	6.96	67,368	70,520
\$100,000 - \$499,999	77	15,692,062	24.19	173,416	203,793
\$500,000 and Over	18	31,717,731	48.89	848,548	1,762,096
Total	2,508	\$64,872,679	100.00	\$ 1,679	\$ 25,855

Credit Carried Forward

Size of Credit Used	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Negative 2/	0	\$ 0	0.00	N/A	N/A
Zero	1,147	146,992,798	12.47	\$ 11,751	\$ 128,154
\$ 1 - \$ 499	499	19,723,178	1.67	8,817	39,525
\$ 500 - \$ 999	277	16,954,232	1.44	13,046	61,207
\$ 1,000 - \$ 4,999	530	57,380,800	4.87	25,061	108,266
\$ 5,000 - \$ 9,999	143	32,642,542	2.77	80,576	228,270
\$ 10,000 - \$ 24,999	162	56,242,752	4.77	117,879	347,177
\$ 25,000 - \$ 49,999	100	88,147,994	7.48	218,617	881,480
\$ 50,000 - \$ 99,999	46	49,312,634	4.18	154,040	1,072,014
\$100,000 - \$499,999	55	502,227,871	42.62	713,386	9,131,416
\$500,000 and Over	14	208,788,712	17.72	2,922,697	14,913,479
Total	2,973	\$1,178,413,513	100.00	\$ 18,549	\$ 396,372

2/ Recapture exceeds amount of available credit.

Table 11: Profile of New York State Additional Mortgage Recording Credit by Basis of Taxation - 1993 Liability Year

Credit Earned

Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Entire Net Income	0	\$ 0	0.00	N/A	N/A
Minimum Tax 1/	13	659,196	35.83	\$ 5,375	\$50,707
Capital Base	23	135,368	7.36	811	5,886
Alternative Minimum Tax	12	1,044,999	56.81	17,876	87,083
Total	48	\$1,839,563	100.00	\$ 1,500	\$36,927

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	0	\$ 0	0.00	N/A	N/A
Minimum Tax 1/	42	3,087,754	45.87	\$5,648	\$ 73,518
Capital Base	32	147,849	2.20	756	4,620
Alternative Minimum Tax	23	3,495,696	51.93	7,867	151,987
Total	97	\$6,731,299	100.00	\$2,032	\$ 68,063

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	0	\$ 0	0.00	N/A	N/A
Minimum Tax 1/	22	339,138	47.78	\$ 984	\$15,415
Capital Base	31	120,308	16.95	625	3,881
Alternative Minimum Tax	12	250,320	35.27	3,541	20,860
Total	65	\$709,766	100.00	\$ 827	\$10,757

Credit Carried Forward

Basis of Taxation	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Entire Net Income	0	\$ 0	0.00	N/A	N/A
Minimum Tax 1/	42	2,748,616	45.86	\$2,790	\$ 65,443
Capital Base	0	0	0.00	N/A	N/A
Alternative Minimum Tax	23	3,245,376	54.14	6,017	141,103
Total	65	\$5,993,992	100.00	\$5,536	\$ 88,652

1/ See Appendix for description.

Table 12: Profile of New York State Alternative Minimum Tax Credit by Basis of Taxation - 1993 Liability Year

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	293	\$1,136,858	73.75	\$192	\$3,880
Minimum Tax 1/	28	37,404	2.43	156	1,336
Capital Base	16	9,782	0.63	220	611
Alternative Minimum Tax	105	357,507	23.19	329	3,405
Total	442	\$1,541,551	100.00	\$222	\$3,488

1/ See Appendix for description.

Table 13: Profile of New York State Alternative Minimum Tax Credit by Major Industry Group - 1993 Liability Year

Credit Used

Major Industry Group	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Unidentifiable	8	\$ 2,610	0.17	\$304	\$ 326
Agriculture	0	0	0.00	N/A	N/A
Mining	0	0	0.00	N/A	N/A
Construction	59	224,124	14.67	325	3,799
Manufacturing	62	162,567	10.64	345	2,622
Trans., Comm., Pub. Utilities Services	13	13,493	0.88	144	1,038
Wholesale Trade	57	97,774	6.40	199	1,715
Retail Trade	75	362,965	23.75	208	4,840
Finance, Insurance and Real Estate	45	551,617	36.10	654	12,258
Services	120	112,893	7.39	180	941
Total	439	\$1,528,043	100.00	\$222	\$ 3,488

Table 14: Profile of New York State Alternative Minimum Tax Credit by Size of Entire Net Income - 1993 Liability Year

Credit Used

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Zero or Net Loss	20	\$ 14,854	1.27	\$ 159	\$ 743
\$ 1 - \$ 99,999	259	94,922	8.11	102	366
\$ 100,000 - \$ 499,999	77	141,645	12.11	610	1,840
\$ 500,000 - \$ 999,999	17	81,779	6.99	1,463	4,811
\$ 1,000,000 - \$ 24,999,999	54	329,077	28.13	2,993	6,094
\$ 25,000,000 - \$ 49,999,999	5	15,650	1.34	3,091	3,130
\$ 50,000,000 - \$ 99,999,999	4	180,325	15.41	16,777	45,081
\$100,000,000 - \$499,999,999	5	311,728	26.64	3,696	62,346
\$500,000,000 and Over	0	0	0.00	N/A	N/A
Total	441	\$1,169,980	100.00	\$ 222	\$ 3,488

Table 15: Profile of New York State Alternative Minimum Tax Credit by Size of Credit Used - 1993 Liability Year

Credit Used

Size of Credit Used	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Negative 2/	0	\$ 0	0.00	N/A	N/A
Zero	0	0	0.00	N/A	N/A
\$ 1 - \$ 499	286	36,902	2.39	\$ 82	\$ 129
\$ 500 - \$ 999	41	29,405	1.91	672	717
\$ 1,000 - \$ 4,999	72	180,194	11.69	2,220	2,503
\$ 5,000 - \$ 9,999	24	176,533	11.45	7,324	7,356
\$ 10,000 - \$ 24,999	11	173,857	11.28	16,220	15,805
\$ 25,000 - \$ 49,999	5	167,375	10.86	30,907	33,475
\$ 50,000 - \$ 99,999	0	0	0.00	N/A	N/A
\$100,000 - \$499,999	3	777,285	50.42	261,429	259,095
\$500,000 and Over	0	0	0.00	N/A	N/A
Total	442	\$1,541,551	100.00	\$ 222	\$ 3,488

2/ Recapture exceeds amount of available credit.

Appendix A: Credit Provisions Effective for Tax Years Beginning Prior to January 1, 1994

Investment Tax Credit

For tax years beginning on or after December 31, 1968, the investment tax credit (ITC) equaled 1 percent of the cost of new or expanded production facilities located in New York State by manufacturing firms. By 1982, the rate had grown to 6 percent.

For tax years beginning in 1987, 1988 and 1989, the rate dropped to 5 percent of the first \$500 million of investments, and 4 percent for investments over that amount. For tax years beginning in 1990, the \$500 million threshold dropped to \$425 million and then to \$350 million for subsequent tax years.

In addition, taxpayers who met certain employment tests could qualify for the employment incentive credit (EIC). Prior to 1987, this credit equaled one-half of the investment credit. It was available for up to three years following the tax year in which the taxpayer earned the ITC. However, employment in such years must have equaled at least 101 percent of the employment in the year immediately before the ITC was first claimed.¹

For investments made on or after January 1, 1987, the EIC is a two-year credit described in the following table:

History of Tax Rates of the Employment Incentive Credit	Year Property is Placed in Service	Average Number of Employees During the Tax Year Expressed as a Percentage of those in the Employment Base Year	Additional Credit as a Percentage of the Investment Credit Base
	Tax Years Beginning in 1987, 1988 or 1989	At least 101%	2% of the first \$500 million 2.5% in excess of \$500 million
	Tax Years Beginning in 1990	At least 101%, but less than 101.5%	2% of the applicable ITC base
		In excess of 101.5%	2.5% of the applicable ITC base
	Tax Years Beginning After 1990	At least 101%, but less than 102%	1.5% of the applicable ITC base
		At least 102%, but less than 103%	2% of the applicable ITC base
		At least 103%	2.5% of the applicable ITC base

Research and Development Tax Credit

For tax years beginning on or after January 1, 1987, the research and development tax credit previously allowed under section 210.18 of the Tax Law was consolidated into the ITC provisions. Although the separate credit has been repealed, any unused credit may be carried forward to any tax year beginning before January 1, 1994.²

Credit for Research and Development Property Under the ITC

Research and development property acquired on or after January 1, 1987 now qualifies for the investment tax credit. Taxpayers may elect the regular investment tax credit rate including the EIC, or an optional rate on R&D property of 9 percent for taxable years beginning in 1990. If taxpayers elect the higher rate, they cannot claim the employment incentive credit on the same investment.

Special Additional Mortgage Recording Tax Credit

A credit is allowed equal to the State special additional mortgage recording tax paid on mortgages recorded after December 31, 1978. The special additional mortgage recording tax is imposed at the rate of 25 cents per \$100 on the indebtedness secured by a mortgage recorded on or after July 1, 1969. A tax credit is not allowed for the special additional mortgage recording tax paid on residential mortgages recorded after May 1, 1987, where the real property is located in Erie County or one or

more of the counties comprising the Metropolitan Commuter Transportation District.³

Job Incentive
(Eligible Business
Facility) Credit

Enacted in 1968, the job incentive credit applied to manufacturing and wholesaling firms. To claim the credit, the firm must have located, expanded or improved their facilities in core areas of the State's six largest cities. They must also have provided employment and training to residents of these areas. Subsequent legislation expanded the program to cover all of New York State. Legislation enacted in 1983 terminated the program. However, applications approved before July 1, 1983 continued in effect. This credit sunsets for tax years beginning on or after January 1, 2000.

The amount of credit equaled a percentage, based on eligible wages and property in the core area, applied to liability. A taxpayer could not have claimed both the job incentive credit and another credit for the same investment.

Economic
Development Zone
(EDZ) Credits

In 1986, New York State enacted legislation to stimulate growth in economically distressed communities. The program provides a package of tax incentives for businesses that invest or provide jobs in designated economic development zones (EDZs). Credits available to Article 9-A taxpayers include the wage credit, the capital corporations credit, and an investment tax credit.

EDZ Wage Credit

Eligible taxpayers may claim a wage tax credit for up to five years for doing business and creating jobs in an EDZ. The credit differs for targeted and nontargeted employees. A higher credit rate applies to wages paid to targeted employees (i.e., those with low incomes or on public assistance).

The credit equals 25 percent of targeted eligible wages for the first tax year, declining by 5 percent per year for each of the following five years. The corresponding credit for non-targeted employees equals one-half of these amounts. The total credit cannot exceed 50 percent of tax due.

To qualify for the credit, taxpayers must fill 20 percent of new zone jobs with zone residents, or with residents of census tracts bordering the EDZ. In addition, the employer must show a statewide and zonewide net employment gain. Ceilings limit the credits.

EDZ Investment Tax
Credit

Production property acquired or built in an EDZ may qualify for an ITC of 10 percent. Like the regular ITC and other credits, this credit cannot reduce the tax due for any year to less than the higher of the tax on the minimum income base or the fixed dollar minimum. However, unlike other credits, corporations may carry forward any unused EDZ ITC indefinitely.

An additional 3 percent credit rate (30 percent of the investment tax credit) applies in the three years following the year in which the corporation claimed the investment tax credit. To qualify for this second credit, the taxpayer's employment in the EDZ (excluding general executive officers) must equal at least 101 percent of the average employment in the year prior to earning the ITC.

EDZ Capital Corporation
Tax Credit

Under the corporation franchise tax a credit may apply to the consideration paid for original issue stock purchased from an economic development zone capital corporation. These are corporations designed to raise money for investment in zone businesses. The credit equals 25 percent of the amount paid for the stock, up to a lifetime maximum of \$100,000. In any tax year, the credit cannot exceed 50 percent of the taxpayer's pre-credit liability. Taxpayers may carry forward unused amounts indefinitely. A recapture provision applies if the taxpayer disposes of the investment that provided the basis of the credit within 36 months of acquisition.

Alternative Minimum
Tax Credit

Taxpayers began to accumulate the alternative minimum tax (AMT) credit in 1990. Beginning in 1991, taxpayers can claim the AMT credit against their regular tax (on the entire net income base only) for a portion of AMT paid in 1990 and subsequent years. A taxpayer could use the AMT credit to reduce their tax liability (ENI tax, capital base tax, and allocated subsidiary capital tax) to the fixed dollar minimum or the minimum taxable income base, whichever was higher.

The calculation of the minimum tax credit involves a two-step process. The taxpayer calculates a "tentative" minimum tax by subtracting from the minimum tax the highest of the tax on entire net income, the tax on business and investment capital or the fixed dollar minimum tax. In the second step, corporations recalculate the minimum tax they would have paid, accounting for only two specific tax preferences. The first is the preference related to depletion under IRC Section 57(a)(1). The second is the preference related to the appreciated property charitable deduction

under IRC Section 57(a)(6)(b)). Prior to 1994, both minimum tax calculations disallow the NOL deduction, and require single weighting of the receipts factor. Corporations then reduce this recalculated minimum tax by the highest of the tax on entire net income, the tax on business and investment capital or the fixed dollar minimum tax. The result of subtracting the recalculated minimum tax credit from the “tentative” minimum tax credit equals the minimum tax credit available for subsequent years.

Fixed Dollar Minimum Tax

New York’s corporate franchise tax law currently imposes a fixed dollar minimum tax, which varies according to a taxpayer’s gross payroll.

Gross Payroll Amount	Fixed Dollar Amount
\$6,250,000 or more	\$1,500
\$1,000,001 to \$6,250,000	\$ 425
\$1,000,000 or less	\$ 325

A fixed dollar minimum of \$800 applies to essentially inactive (i.e., shell) corporations that meet certain conditions, including:

- gross payroll equal to or less than \$1,000;
- total gross (i.e., everywhere) receipts equal to or less than \$1,000; and
- gross assets with an average value equal to or less than \$1,000.

Changes in 1994-95 State Budgets

The 1994-1995 State Budget made significant changes to certain corporate tax credit provisions. The highlights include:⁴

- Investment Tax Credit and Employment Incentive Credit. For credits generated on or after January 1, 1987, the allowable credits carry forward period increases from 7 to 10 years. (This extension did not, however, apply to pre-1987 research and development credit.)
- Alternative Minimum Tax Credit. See above description.
- Zone Equivalent Area Wage Credit. See above description.

Endnotes

1. Effective for credits generated on or after January 1, 1987, the allowable carry forward of the investment tax credit and employment incentive credit increases from 7 to 10 years. The cutoff of pre-1987 investment tax credit carry forwards is extended from 1994 to 1997. (This law change does not affect the data reflected in this report.)
2. The research and development credit carry forward under section 210.18, which applies to any tax year beginning before January 1, 1994, was not, in contrast to the investment tax credit research and development property credit carry forward, extended to 1997 under legislation enacted in 1994.
3. Taxpayers may request a refund of special additional mortgage recording tax credit earned after January 1, 1994.
4. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, New York State Fiscal Year 1994-95 Budget: Summary of Tax Provisions (June 1994) for more details on changes to credit provisions.

Appendix B: Highlights of Changes Effective for Tax Years Beginning On or After January 1, 1994

Changes in EDZ Program

In 1993 and 1994, New York State expanded and modified the economic development zone (EDZ) program. In 1993, the changes included simplifying the wage tax credit and the capital corporation credit. The computation of the wage tax credit was changed from a complex percentage of wages method (see Appendix A for a description) to a flat dollar amount per newly hired employee. This change and the expansion of the capital corporation credit were intended to increase participation in the program.

In 1994, the program was expanded to also provide a wage tax credit for businesses that increased employment in areas eligible for EDZ designation. These areas are called zone equivalent areas (ZEAs).

The changes to the EDZ credits that were enacted in 1993 and 1994 were effective for tax years beginning on or after January 1, 1994.

EDZ and ZEA Wage Credits

Beginning on or after January 1, 1994, the wage credit was simplified. The EDZ wage credit is now based on the average number of newly hired employees. The first component of the credit equals the product of the average number of newly hired targeted EDZ employees multiplied by \$1,500. The corresponding credit amount for other employees equals the product of the average number of newly hired nontargeted EDZ employees receiving EDZ wages multiplied by \$750.

For tax years beginning on or after January 1, 1994, a similar credit is provided for eligible businesses located in ZEAs. Taxpayers employing individuals in ZEAs may claim a two-year wage tax credit for EDZ wages paid to full-time employees in a ZEA. In year one, the credit equals \$1,000 multiplied by the average number of newly hired targeted

employees and \$500 multiplied by the average number of newly hired nontargeted employees. In year two, the credit decreases to \$500 per targeted employee and \$250 per nontargeted employee.

The total EDZ or ZEA wage tax credit cannot exceed 50 percent of tax due (before credits). Taxpayers may carry forward unused credits indefinitely. In lieu of a carryforward, “new business” taxpayers may elect to have unused credit refunded.

EDZ Investment Tax
Credit (EDZ-ITC)

Effective January 1, 1994, the EDZ-ITC was amended to allow new businesses to elect a refund of the unused credit in lieu of a carryforward. Remaining provisions of the EDZ-ITC did not change.

EDZ Capital Corporation
Credit

For tax years beginning on or after January 1, 1994, the law was amended to allow the EDZ capital credit for investments in capital corporations, direct equity investments in certified zone businesses, and contributions to community development projects. The new credit equals 25 percent of the sum of each type of investment. The lifetime maximum credit per taxpayer equals \$300,000.

Changes in Special
Additional Mortgage
Recording Tax Credit

For periods beginning on or after 1994, taxpayers may elect to treat the unused portion of the credit as an overpayment to be credited or refunded.

Changes in
Alternative Minimum
Tax Credit

Effective for taxable years beginning in 1994, taxpayers are permitted an alternative minimum tax (AMT) credit against regular (ENI-based) tax liability for part of the net operating loss deduction not used in computing the alternative minimum tax. Taxpayers may calculate the AMT credit retroactively for taxable years after 1989 and carry forward the credit indefinitely. The pre-1994 net operating loss component is subject to a five-year transition rule, beginning in taxable years after 1993 and ending before 1999. Under the transition rule, a taxpayer may use up to 20 percent of the credit in each of the five years beginning with the 1994 tax year. The taxpayer will have available the remainder of any unused credit for tax years after 1999.

Changes in 1995-96
State Budget

The 1995-1996 Budget contained no changes to existing corporate tax credit provisions.

Changes in 1996-97
State Budget

The 1996-97 State Budget contained two significant tax law changes affecting corporate tax credit provisions. These include the following:

- *Credit for Rehabilitation of Historic Barns*

Effective for taxable years beginning on or after January 1, 1997, the investment tax credit (ITC) has been expanded to allow a corporate franchise tax credit for the rehabilitation of historic barns in New York State.

The credit equals 25 percent of qualified rehabilitation expenditures paid or incurred for any barn located in New York State that is a qualified rehabilitated building. The definition of a qualified rehabilitated building has the same meaning as a “qualified rehabilitated building” for purposes of the federal rehabilitation credit under section 47 of the Internal Revenue Code. For purposes of the historic barn credit, a barn is defined as a building originally designed and used for storing farm equipment or agricultural products or for housing livestock, but does not include barns converted to residential purposes. In accordance with federal law for rehabilitation of historic buildings, the barn being rehabilitated must have been placed in service before the commencement of the rehabilitation work, and it either must be a certified historic structure or must have been first placed in service before 1936. It only qualifies for the credit based on substantial rehabilitation. Generally, a building will have been considered substantially rehabilitated only if the expenditures exceed the greater of the adjusted basis of the barn or \$5,000. A taxpayer may not claim both the regular investment tax credit on manufacturing property and the investment tax credit for rehabilitation of historic barns on the same property.

- *Agricultural Property Tax Credit*

Effective for taxable years beginning in 1997, eligible farmers may claim a real property tax credit against the corporate franchise tax. The credit is available to an eligible farmer defined as a taxpayer

whose gross income from farming is at least 2/3 of total gross income. The credit equals the total school district property taxes paid on qualified agricultural property in the State up to the acreage limitation, and 50 percent of the school taxes paid on acres in excess of the limitation. The acreage limitation equals 100 acres in 1997, 175 acres in 1998, and 250 acres after 1998. The credit is phased out for taxpayers with New York adjusted gross income (entire net income) in excess of \$100,000. Recapture provisions provide for an add back of the credit if the taxpayer converts the property to a nonqualified use in the 2 years subsequent to the first year of the credit.

Appendix C: Legislative Mandate

Section 109(a) of the Business Tax Reform and Rate Reduction Act of 1987 (Chapter 817 of the Laws of 1987) requires the Commissioner of Taxation and Finance to conduct a study regarding corporate tax credits. The legislative mandate follows.

On or before December first, nineteen hundred eighty-eight and on or before December first of each year thereafter, the commissioner of taxation and finance shall submit a written report and such data and supporting documentation as are available and meaningful regarding the number of taxpayers claiming, using, and carrying forward tax credits and the total amount of such credits claimed, used, and carried forward and the median, mean and distribution of such credits for taxable years beginning during nineteen hundred eighty-four, and each subsequent year, to the extent that such information is available. Such reports shall present the latest information available reflecting amended returns filed by taxpayers and adjustments upon audit by taxpayer liability period as well as the impact of such credits upon state fiscal year revenues.

Copies of these reports shall be submitted by the commissioner of taxation and finance to the governor, the temporary president of the senate, the speaker of the assembly, the chairman of the senate finance committee and the chairman of the assembly ways and means committee. Such reports shall contain, but need not be limited to, information by industrial classification, by basis of taxation, by size of credit and taxpayer income ranges. In preparing such reports, the commissioner of taxation and finance shall ensure that the statistics are classified in a manner consistent with the secrecy requirements of tax law.