



April 2000

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# Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1996

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# Introduction and Purpose

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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, 1996, and ends on or before November 30, 1997 (hereinafter referred to as the 1996 tax liability year). For the first time, the report provides data on the alternative minimum tax (AMT) credit.

The report includes a focus section. This year the focus section presents an analysis comparing capital investments made under the investment tax credit (ITC) to corresponding changes in employment under the employment incentive credit (EIC).

Definitions and descriptions of the various tax credits for the time period analyzed appear in Appendix A. Highlights of tax law changes affecting corporate tax credit provisions beginning on or after January 1, 1997 appear in Appendix B. Appendix C contains corporate franchise tax law changes. Appendix D provides the legislative mandate for the report.

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## Highlights for 1996

- Corporate taxpayers *earned* a total of \$310.4 million in credits, *claimed* a total of \$1,611.7 million in credits and *used* a total of \$150.5 million in credits against their Article 9-A liability.
- The ITC accounted for about 88 percent of all tax credits used.
- The amount of economic development zone/zone equivalent area (EDZ/ZEA) credits earned in 1996 was more than double the amount of the credits earned in 1995.

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- Over 82 percent of the amount of ITC credits used were in amounts greater than \$100,000.

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# Focus Section: Analysis of the Investment Tax Credit and the Employment Incentive Credit

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## Purpose

This is the fourth in a series of focus sections in this report. It presents historical data analyzing the investment tax credit (ITC) and the employment incentive credit (EIC). The analysis focuses on tax law changes in both the ITC and EIC. It does not take into consideration nontax factors that may have also affected the amount of credits earned, such as economic trends and taxpayer behavior. The analysis compares the amount of credits earned over the period 1989 through 1996.

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## Legislative History of the New York State Investment Tax Credit: 1969 to Present

New York State's ITC was adopted in 1969. The ITC was enacted to encourage the modernization of antiquated production facilities and to make New York a more attractive location for manufacturers.<sup>1</sup> The law substituted a simpler and more equitable tax credit for the double depreciation allowance on production facilities enacted in 1968. Proponents deemed the use of an ITC more desirable than double depreciation for three primary reasons: its simplicity, its direct relation to investment in productive capacity located in New York, and its quick availability of benefits. The credit rate grew from 1 percent in 1969 to 6 percent from 1982-1986, representing its most generous level. The optional one-year depreciation write-off for research and development (R&D) property was changed in 1981 to a 10 percent credit.

The Business Tax Reform and Rate Reduction Act of 1987 (BTRRA) significantly changed the ITC and the R&D credit. It retained the ITC for manufacturing firms investing in New York, changing the credit rate from 6 percent with no base limitation, to 5 percent of the first \$500 million of investments, plus 4 percent over that amount. The law repealed the 10 percent credit for R&D property and consolidated it into the ITC at a 9 percent rate. It also incorporated investments in industrial waste treatment property and air pollution control facilities under the

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ITC. Industrial waste treatment property and air pollution control facilities no longer qualified for optional expense deductions.

Tax law changes effective for tax years beginning in 1990 and 1991 further limited the ITC rate and base. For tax years beginning in 1991 and after, the rate equals 5 percent of the first \$350 million of qualified investments and 4 percent for investments over that amount. The optional rate for R&D property remains unchanged at 9 percent.

Certain property qualifies for the ITC. Generally, qualified property includes buildings and structural components of buildings that:

- are depreciable according to federal law;
- have a useful life of four years or more;
- were acquired by the taxpayer by purchase; and
- are located in New York State.

The qualified property must generally also meet one of the following requirements:

- the property must be principally used by the taxpayer in producing goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture or commercial fishing; or
- the taxpayer must use the property in its trade or business as an industrial waste treatment facility or air pollution control facility; or
- the taxpayer must use the property in research and development; or
- the property must be principally used in the ordinary course of the taxpayer's trade or business as a broker or dealer in connection with the purchase or sale of stocks, bonds and other securities; or
- the taxpayer must restore property used in a retail enterprise, or restore an historic barn.

Taxpayers must recapture ITC previously allowed if the property was disposed of before the end of its useful life, destroyed, or removed from the State. The recapture does not apply to property used for more than twelve consecutive years. New businesses eligible to claim an ITC may elect to receive a refund of unused ITC instead of carrying the credit forward. The credit may not reduce the tax due to less than the higher of the AMT or the fixed dollar minimum. Taxpayers may carry forward an ITC allowed for tax years beginning on or after January 1, 1987, for up to fifteen tax years. (New York S corporation shareholders may carry forward the ITC for ten tax years.)

Table 1 shows the rate history of the ITC beginning in 1969.

Table 1: Investment Tax Credit – History of Tax Rates

Investment Year	Rate and Applicable Investment Tax Credit Base
1969 - 1973	1% Optional one-year depreciation write-off for research and development property Industrial waste treatment and air pollution facilities qualify for elective deductions
1974 - 1977	2% Optional one-year depreciation write-off for research and development property Industrial waste treatment and air pollution facilities qualify for elective deductions
1978	3% Optional one-year depreciation write-off for research and development property Industrial waste treatment and air pollution facilities qualify for elective deductions
1/1/79 - 5/31/81	4% Optional one-year depreciation write-off for research and development property Industrial waste treatment and air pollution control facilities qualify for elective deductions
6/1/81 - 6/30/82	5% 10% rate on research and development property acquired after 6/30/82 Industrial waste treatment and air pollution control facilities qualify for elective deductions
7/1/82 - 1986	6% 10% rate on research and development property Industrial waste treatment and air pollution control facilities qualify for elective deductions
Beginning in 1987, 1988 and 1989	5% of the first \$500 million 4% of the amount above \$500 million 10% rate on research and development property repealed – An optional 9% rate on research and development property becomes effective in 1987 as a component of ITC Investments in industrial waste treatment property, air pollution control facilities no longer qualify for elective deductions, but remain eligible for ITC Credit carryforward limited to 7 years
Beginning in 1990	5% of the first \$425 million 4% of the amount above \$425 million An optional 9% rate on research and development property Credit carryforward remained limited to 7 years
Beginning after 1990	5% of the first \$350 million 4% of the amount above \$350 million An optional 9% rate on research and development property 1997 law extended credit carryforward from 10 to 15 years ITC extended to broker/dealers (Property placed in service on or after October 1, 1998 and before October 1, 2003)

Legislative History of the Employment Incentive Credit: 1987 to Present

BTRRRA replaced the additional ITC with the EIC.<sup>2</sup> Like the original credit enacted in 1975, the EIC acts as a link to capital investment in the State. This credit applies to taxpayers allowed an ITC (other than at the optional rate for R&D property) with respect to property acquired, constructed, reconstructed or erected during tax years beginning on or after 1987. Taxpayers allowed an ITC may claim an EIC based on increases in employment.

Table 2 shows the EIC rate in the ITC base for property placed in service beginning in 1987. The credit has changed significantly over time. Tax law changes in 1997 provided that a taxpayer allowed an EIC for tax years beginning on or after January 1, 1987, may carry forward the credit up to fifteen tax years.

Table 2: Employment Incentive Credit – History of Tax Rates

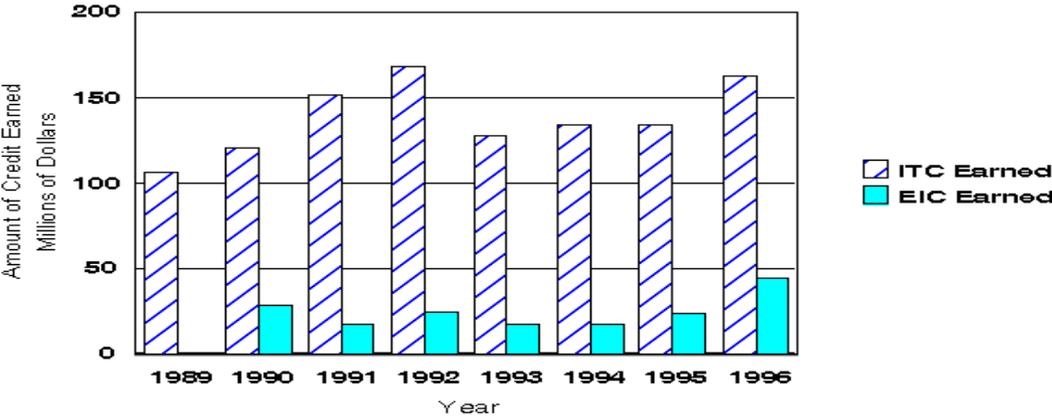
Year Property is Placed in Service	Average Number of Employees During the Tax Year Expressed as a Percentage of Those in the Employment Base Year	Additional Credit as a Percentage of the Investment Credit Base
Tax Years Beginning in 1987, 1988 or 1989	At least 101%	2% of the first \$500 million 2.5% in excess of \$500 million Credit carryforward limited to 7 years
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 Credit carryforward remained limited to 7 years
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 1997 law extended credit carryforward from 10 to 15 years.

Analysis of Investment Tax Credit and Employment Incentive Credit Earned

Figure 1 shows total amounts earned for the ITC from 1989 to 1996 and the EIC from 1990 to 1996. The ITC data exclude R&D property at the optional 9 percent rate because taxpayers cannot take both the R&D credit and the EIC. The EIC amount in 1990 reflects ITC earned in 1989. Because taxpayers could still earn the additional ITC in tax years 1988 and 1989, 1990 represents the first year in which EIC data can be isolated.

As shown in Figure 1, the amount of ITC earned climbed steadily from 1989 to its peak in 1992. It declined in 1993, remaining level until 1996 when it rebounded to nearly its 1992 level. There were no significant tax law changes that would have affected the amount of ITC earned during this time. The EIC, however, has undergone significant tax law changes that may have affected the amount of credit earned. For tax years beginning after 1990, tax law changes made the EIC less generous than in previous years. These tax law changes may have affected the reduced amount of EIC earned, despite significant and increasing capital investments beginning in 1989 and ending in 1992. The EIC rebounded in 1996 although there was no significant increase in capital investment in 1995 or any significant changes in investment from 1992.

Figure 1: Amount of ITC and EIC Earned – 1989-1996





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# Analysis of Statistical Data

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## Description of Tables

The following tables present information for the Article 9-A corporate tax credits.

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,<sup>3</sup> for the following components of each credit:<sup>4</sup>

Credit Earned –

The amount of credit generated in the current tax year.

Credit Claimed –

The amount of credit which taxpayers are entitled to use during the taxable year. Taxpayers determine the amount of credit claimed by adding the amount of credit earned in the current year to the amount of unused credits from the prior year and subtracting any applicable credit recapture.

Credit Used –

The amount of credit which taxpayers actually apply to their tax liability.<sup>5</sup>

Credit Carried Forward –

Any unused amount of credit which is allowed to be used to offset tax liability in future years. The amount of credit carried forward is determined by subtracting the amount of credit used or refunded in the current year from the amount of credit claimed.

This report now presents tables for the alternative minimum tax (AMT) credit for the amount of credit earned, claimed, used and carried forward.<sup>6</sup> In addition, although a base analysis is presented for other credits, such an analysis would not be appropriate for the AMT credit.

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The tax law limits taxpayers to earning the AMT credit only if paying tax under the AMT base. The AMT credit amounts claimed, used and carried forward reflect only those taxpayers paying under the entire net income (ENI) base.<sup>7</sup> A base analysis, therefore, would not be relevant.

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

The basis of taxation tables reflect credits used by taxpayers whose tax is based on either the ENI base, the capital base, the AMT base or the fixed dollar minimum tax. The ENI and capital bases represent taxpayers who began under these bases, used credits and remained under these bases (despite the use of credits). The fixed dollar minimum and 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. These bases could also include taxpayers who used credits to strictly offset their subsidiary capital tax.

The major industry group category is based on Standard Industrial Classification Codes (SICs). Taxpayers report their principal business activity using SIC codes from their federal tax returns.<sup>8</sup> 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 utility 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.

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## Data Considerations

The data contained in these tables come directly from the returns of corporations claiming credits.<sup>9</sup> Beginning with the 1996 tax year, additional AMT credit data were captured from tax returns and are presented in this report.<sup>10</sup>

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The tax law limits some credits to a percentage of tax due or allows only a percentage of the credit to be used. For tax years beginning in 1994 and ending in 1998, a taxpayer may only use up to 20 percent of the “pre-1994 NOL” component of the AMT credit. The economic development zone/zone equivalent area (EDZ/ZEA) wage tax credit (in the aggregate) cannot exceed 50 percent of the business corporation franchise tax. (For more detail on these credits, see Appendix A.)

Taxpayers permitted to take the investment tax credit (ITC) and the employment incentive credit (EIC) report amounts earned during the tax year on separate lines on tax form CT-46-*Claim for Investment Tax Credit*. However, when computing the credit claimed, used and carried forward, taxpayers combine the ITC and EIC on the CT-46. This study presents these combined amounts for each of the credit components.

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## Summary of Credit Activity

The following tables summarize tax credit activity by component and type of credit. The totals in the tables may not match the detail tables due to rounding and disclosure requirements. These tables also provide information on recaptured and refundable credits.

In all tables, ‘-’ indicates that the component does not apply to the credit or that the data for that component are not available. The letter ‘d’ indicates that the data cannot be presented due to confidentiality restrictions of the tax law. Total values for number of taxpayers, amount of credit, and mean and median credit were computed using all taxpayers in the study. The available data for all tables do not reflect changes made on audit or amended filings.

Table 3: Comparison of Article 9-A Tax Credit Activity – 1995 and 1996

1995 (\$ millions)							
Component	Investment Credit	Special Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	Mortgage Servicing Credit	Total 1/
Total Credit Earned	\$ 187.7	1.4	-	16.3	-	-	\$ 205.4
Unused Credit from the Prior Year	1,315.3	0.5	-	10.9	-	-	1,326.7
Total Credit Available	1,503.0	1.9	-	27.2	-	-	1,532.1
Recaptured Credit	36.9	-	-	0.1	-	-	37.0
Credit Claimed	1,466.1	1.9	-	27.1	-	-	1,495.1
Credit Used 2/	101.9	0.2	0.1	4.3	12.0	0.0	120.7
Refundable Credit	20.5	0.2	-	1.7	-	-	22.4
Credit Carried Forward	\$1,343.7	1.7	-	21.1	-	-	\$1,366.5

1996 (\$ millions)							
Component	Investment Credit	Special Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	Mortgage Servicing Credit	Total 1/
Total Credit Earned	\$ 258.9	1.3	-	36.6	13.7	-	\$ 310.4
Unused Credit from the Prior Year	1,270.9	5.5	-	23.0	51.4	-	1,350.8
Total Credit Available	1,529.8	6.7	-	59.6	51.4	-	1,647.5
Recaptured Credit	35.8	-	-	0.0	0.0	-	35.8
Credit Claimed	1,494.0	6.7	-	59.6	51.4	-	1,611.7
Credit Used	133.1	2.9	0.1	6.0	8.4	0.0	150.5
Refundable Credit	15.6	0.6	-	13.5	0.0	-	29.7
Credit Carried Forward	\$1,345.3	3.9	-	40.1	43.1	-	\$1,432.2

1/ Total column reflects the horizontal summation of the individual credit components. Vertical calculations within the column are not valid.

2/ In 1995, taxpayers used a total of \$120.7 million in credits to reduce their tax liability. However, the Office of Tax Policy Analysis was unable to attribute \$2.2 million of this amount to any specific tax credit.

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## Overview of Major Credit Provisions

This section provides an overview of credit provisions effective for tax years beginning prior to January 1, 1997. These credits are discussed in more detail in Appendix A.

### 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 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.

### Credit on Research and Development Property Under the Investment Tax Credit

Research and development (R&D) property qualifies for the ITC. Taxpayers may either choose the R&D rate of 9 percent or the lower ITC 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 R&D credit under the ITC do not appear in this report.)

### Economic Development Zone Credits/Zone Equivalent Area Wage Tax Credit

EDZ credits include an investment tax credit, a wage credit (for 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). A wage tax credit is available for employment in a ZEA.

### Alternative Minimum Tax Credit

In certain instances, taxpayers could be subject to double taxation on the same transaction under the regular tax system and the 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.)

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## Endnotes

1. See Governor Nelson A. Rockefeller's Approval Memorandum filed with Senate bill 5143-A, May 26, 1969.
2. Chapter 817 of the Laws of 1987.
3. 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.
4. There is only data available for the "credit used" component for the Job Incentive Credit, the EDZ Capital Credit and the Mortgage Servicing Credit.
5. Taxpayers may use credits to reduce their tax liabilities computed under the entire net income base, capital base or subsidiary capital base. However, credits may not be used to reduce tax liability below the amount computed under the alternative minimum tax base or the fixed dollar minimum base, whichever is higher.
6. Unlike the other tax credits, however, the amount of AMT credit claimed is comprised of prior unused credits only. It does not include the amount of credit earned in the current tax year. As a result, the relationship between the values for credit earned and the values for credit claimed may appear inconsistent compared to other credits.
7. Unlike other tax credits, the AMT credit may only be used to offset liability under the ENI base. No AMT credit may be used against the capital base or the subsidiary capital tax.
8. For tax years beginning in 1998, taxpayers are asked to report their principal business activity on their federal tax return using North American Industrial Classification System (NAICS) codes.
9. Historical data presented in this report may differ from that presented in previous reports. This can occur as a result of changes made to the data collection process and minor adjustments made to the original data files.
10. As with any new data, reporting errors may occur. The Office of Tax Policy Analysis will continue to enhance its verification routines to ensure the most accurate data possible.

Table 4: Profile of Total New York State Tax Credits – 1995 and 1996

Credits Earned by Year and Credit Type

Credit	1995		1996	
	Number of Taxpayers	Amount of Credit Earned	Number of Taxpayers	Amount of Credit Earned
Investment Tax Credit	2,776	\$187,717,559	2,794	\$258,850,786
Special Additional Mortgage Recording Credit	35	1,354,453	32	1,259,019
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	71	3,128,675	92	5,524,035
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	90	13,187,685	123	30,792,780
ZEA Wage Credit	3	29,500	11	261,681
Alternative Minimum Tax Credit	-	-	4,166	13,721,745
Mortgage Servicing Tax Credit	-	-	-	-

Credits Claimed by Year and Credit Type

Credit	1995		1996	
	Number of Taxpayers	Amount of Credit Claimed	Number of Taxpayers	Amount of Credit Claimed
Investment Tax Credit	3,624	\$1,466,109,398	3,604	\$1,493,979,239
Special Additional Mortgage Recording Credit	82	1,863,354	83	6,732,256
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	84	4,822,299	105	7,200,580
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	96	22,257,695	136	51,971,958
ZEA Wage Credit	3	33,500	12	392,429
Alternative Minimum Tax Credit	-	-	2,728	51,409,049
Mortgage Servicing Tax Credit	-	-	-	-

Table 4: Profile of Total New York State Tax Credits – 1995 and 1996 (Con't)

Credits Used by Year and Credit Type

Credit	1995		1996	
	Number of Taxpayers	Amount of Credit Used	Number of Taxpayers	Amount of Credit Used
Investment Tax Credit	2,813	\$101,914,893	2,904	\$133,108,347
Special Additional Mortgage Recording Credit	67	188,334	60	2,879,665
Job Incentive Credit	6	67,819	5	145,885
EDZ Wage Credit	68	1,267,810	98	1,667,966
EDZ Capital Corporation Credit	d/	d/	d/	d/
EDZ Investment Tax Credit	55	3,003,469	86	4,067,976
ZEA Wage Credit	d/	d/	9	296,678
Alternative Minimum Tax Credit	877	12,031,063	781	8,349,579
Mortgage Servicing Tax Credit	0	0	0	0

Credits Carried Forward by Year and Credit Type

Credit	1995		1996	
	Number of Taxpayers	Amount of Credit Carried Forward	Number of Taxpayers	Amount of Credit Carried Forward
Investment Tax Credit	2,900	\$1,343,739,238	2,776	\$1,345,256,895
Special Additional Mortgage Recording Credit	57	1,675,018	57	3,852,590
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	56	3,403,988	72	5,093,235
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	90	17,682,978	113	34,884,804
ZEA Wage Credit	3	19,421	7	93,876
Alternative Minimum Tax Credit	-	-	2,371	43,059,470
Mortgage Servicing Tax Credit	-	-	-	-

**Table 5: Profile of New York State Investment Tax Credit by Basis of Taxation – 1996 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	559	\$ 25,339,012	9.79	\$4,115	\$45,329
Fixed Dollar Minimum Tax	852	48,333,208	18.67	3,462	56,729
Capital Base	68	1,107,564	0.43	1,216	16,288
Alternative Minimum Tax	1,315	184,071,002	71.11	8,189	139,978
<b>Total</b>	<b>2,794</b>	<b>\$258,850,786</b>	<b>100.00</b>	<b>\$5,446</b>	<b>\$92,645</b>

**Credit Claimed**

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	619	\$ 30,596,635	2.05	\$ 3,896	\$ 49,429
Fixed Dollar Minimum Tax	1,296	220,809,719	14.78	16,673	170,378
Capital Base	87	6,435,563	0.43	1,614	73,972
Alternative Minimum Tax	1,602	1,236,137,322	82.74	34,922	771,621
<b>Total</b>	<b>3,604</b>	<b>\$1,493,979,239</b>	<b>100.00</b>	<b>\$18,377</b>	<b>\$414,534</b>

**Credit Used**

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	617	\$ 20,632,379	15.50	\$3,726	\$33,440
Fixed Dollar Minimum Tax	762	5,398,778	4.06	903	7,085
Capital Base	76	611,719	0.46	811	8,049
Alternative Minimum Tax	1,449	106,465,471	79.98	3,611	73,475
<b>Total</b>	<b>2,904</b>	<b>\$133,108,347</b>	<b>100.00</b>	<b>\$2,503</b>	<b>\$45,836</b>

**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	26	\$ 9,958,643	0.74	\$40,725	\$383,025
Fixed Dollar Minimum Tax	1,227	202,282,915	15.04	16,930	164,860
Capital Base	26	5,823,844	0.43	107,656	223,994
Alternative Minimum Tax	1,497	1,127,191,493	83.79	30,557	752,967
<b>Total</b>	<b>2,776</b>	<b>\$1,345,256,895</b>	<b>100.00</b>	<b>\$23,488</b>	<b>\$484,603</b>

**Table 6: Profile of New York State Investment Tax Credit by Major Industry Group – 1996 Liability Year**

**Credit Earned**

Major Industry Group	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Unidentifiable	0	\$ 0	0.00	\$ 0	\$ 0
Agriculture	202	1,211,088	0.47	2,111	5,995
Mining	38	2,218,173	0.86	16,143	58,373
Construction	49	524,405	0.20	1,983	10,702
Manufacturing	2,025	199,085,863	76.91	6,662	98,314
Trans., Comm., Pub. Utilities					
Services	14	13,595,375	5.25	11,985	971,098
Wholesale Trade	179	5,205,970	2.01	3,302	29,084
Retail Trade	37	1,475,319	0.57	3,060	39,873
Finance, Insurance and Real Estate	53	14,452,817	5.58	16,203	272,695
Services	197	21,081,776	8.14	4,693	107,014
<b>Total</b>	<b>2,794</b>	<b>\$258,850,786</b>	<b>100.00</b>	<b>\$5,446</b>	<b>\$92,645</b>

**Credit Claimed**

Major Industry Group	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Unidentifiable	0	\$ 0	0.00	\$ 0	\$ 0
Agriculture	251	10,444,335	0.70	16,273	41,611
Mining	53	10,245,104	0.69	47,746	193,304
Construction	65	1,302,294	0.09	4,671	20,035
Manufacturing	2,538	1,352,903,970	90.56	22,917	533,059
Trans., Comm., Pub. Utilities					
Services	22	32,068,022	2.15	40,537	1,457,637
Wholesale Trade	243	13,544,735	0.91	8,681	55,740
Retail Trade	68	4,517,984	0.30	4,096	66,441
Finance, Insurance and Real Estate	77	31,318,484	2.10	51,532	406,734
Services	287	37,634,311	2.52	9,947	131,130
<b>Total</b>	<b>3,604</b>	<b>\$1,493,979,239</b>	<b>100.00</b>	<b>\$18,377</b>	<b>\$414,534</b>

**Table 6: Profile of New York State Investment Tax Credit by Major Industry Group – 1996 Liability Year (Con't)**

**Credit Used**

Major Industry Group	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Unidentifiable	0	\$ 0	0.00	\$ 0	\$ 0
Agriculture	175	431,073	0.32	957	2,463
Mining	44	1,670,889	1.26	4,902	37,975
Construction	52	185,157	0.14	994	3,561
Manufacturing	2,104	108,353,819	81.40	3,020	51,499
Trans., Comm., Pub. Utilities					
Services	17	8,293,472	6.23	6,194	487,851
Wholesale Trade	198	2,970,854	2.23	1,616	15,004
Retail Trade	49	1,136,158	0.85	1,051	23,187
Finance, Insurance and Real Estate	69	3,891,444	2.92	2,541	56,398
Services	196	6,175,481	4.64	2,728	31,508
<b>Total</b>	<b>2,904</b>	<b>\$133,108,347</b>	<b>100.00</b>	<b>\$2,503</b>	<b>\$45,836</b>

**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	0	\$ 0	0.00	\$ 0	\$ 0
Agriculture	229	9,989,276	0.74	18,074	43,621
Mining	47	8,574,215	0.64	44,655	182,430
Construction	48	932,442	0.07	9,384	19,426
Manufacturing	1,948	1,238,723,777	92.08	30,183	635,895
Trans., Comm., Pub. Utilities					
Services	14	23,760,702	1.77	47,982	1,697,193
Wholesale Trade	172	10,496,855	0.78	11,864	61,028
Retail Trade	46	3,328,668	0.25	4,938	72,362
Finance, Insurance and Real Estate	51	18,132,494	1.35	123,233	355,539
Services	221	31,318,466	2.33	11,355	141,713
<b>Total</b>	<b>2,776</b>	<b>\$1,345,256,895</b>	<b>100.00</b>	<b>\$23,488</b>	<b>\$484,603</b>

**Table 7: Profile of New York State Investment Tax Credit by Size of Entire Net Income – 1996 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	778	\$ 72,035,984	27.83	\$5,034	\$92,591
\$ 1 - \$ 99,999	894	6,382,940	2.47	1,975	7,140
100,000 - 499,999	432	7,471,374	2.89	5,709	17,295
500,000 - 999,999	146	5,002,246	1.93	13,100	34,262
1,000,000 - 24,999,999	422	32,696,514	12.63	29,417	77,480
25,000,000 - 49,999,999	35	12,893,625	4.98	172,493	368,389
50,000,000 - 99,999,999	37	13,075,707	5.05	25,150	353,397
100,000,000 - 499,999,999	33	34,043,750	13.15	133,937	1,031,629
500,000,000 and over	17	75,248,646	29.07	1,034,471	4,426,391
Total	2,794	\$258,850,786	100.00	\$5,446	\$92,645

**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	1,122	\$ 351,667,606	23.54	\$22,367	\$313,429
\$ 1 - \$ 99,999	1,250	41,562,089	2.78	8,351	33,250
100,000 - 499,999	496	58,161,530	3.89	27,469	117,261
500,000 - 999,999	157	21,752,151	1.46	43,335	138,549
1,000,000 - 24,999,999	450	156,857,289	10.50	61,105	348,572
25,000,000 - 49,999,999	38	68,762,111	4.60	407,792	1,809,529
50,000,000 - 99,999,999	40	27,281,934	1.83	33,074	682,048
100,000,000 - 499,999,999	34	90,050,788	6.03	138,642	2,648,553
500,000,000 and over	17	677,883,741	45.37	1,054,322	39,875,514
Total	3,604	\$1,493,979,239	100.00	\$18,377	\$414,534

Table 7: Profile of New York State Investment Tax Credit by Size of Entire Net Income – 1996 Liability Year  
(Con't)

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	657	\$ 6,137,564	4.61	\$1,346	\$ 9,342
\$ 1 - \$ 99,999	1,027	1,591,757	1.20	1,066	1,550
100,000 - 499,999	492	3,099,652	2.33	4,904	6,300
500,000 - 999,999	155	2,748,356	2.06	16,657	17,731
1,000,000 - 24,999,999	445	26,828,418	20.16	33,629	60,289
25,000,000 - 49,999,999	38	8,097,418	6.08	99,664	213,090
50,000,000 - 99,999,999	40	8,661,340	6.51	33,074	216,534
100,000,000 - 499,999,999	33	12,236,889	9.19	127,452	370,815
500,000,000 and over	17	63,706,953	47.86	614,093	3,747,468
Total	2,904	\$133,108,347	100.00	\$2,503	\$45,836

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	1,024	\$ 333,106,601	24.76	\$24,770	\$325,299
\$ 1 - \$ 99,999	1,048	39,746,572	2.95	11,217	37,926
100,000 - 499,999	348	54,972,435	4.09	43,182	157,967
500,000 - 999,999	86	18,875,662	1.40	140,799	219,484
1,000,000 - 24,999,999	217	129,124,386	9.60	204,013	595,043
25,000,000 - 49,999,999	23	59,299,335	4.41	696,360	2,578,232
50,000,000 - 99,999,999	11	18,589,422	1.38	362,251	1,689,947
100,000,000 - 499,999,999	13	77,365,694	5.75	5,178,690	5,951,207
500,000,000 and over	6	614,176,788	45.66	18,316,076	102,362,798
Total	2,776	\$1,345,256,895	100.00	\$23,488	\$484,603

**Table 8: Profile of New York State Investment Tax Credit by Size of Credit Used – 1996 Liability Year**

**Credit Earned**

Size of Credit Used	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Zero or Negative*	429	\$ 17,709,692	6.84	\$86,015	\$41,281
\$ 1 - \$ 499	344	2,213,920	0.86	644	6,436
500 - 999	263	2,587,795	1.00	1,659	9,840
1,000 - 4,999	795	11,229,548	4.34	3,283	14,125
5,000 - 9,999	252	9,426,077	3.64	8,053	37,405
10,000 - 24,999	306	18,121,916	7.00	16,220	59,222
25,000 - 49,999	153	13,180,033	5.09	34,807	86,144
50,000 - 99,999	99	17,211,611	6.65	65,092	173,855
100,000 - 499,999	125	62,544,446	24.16	172,493	500,356
500,000 and over	28	104,625,748	40.42	1,079,687	3,736,634
Total	2,794	\$258,850,786	100.00	\$ 5,446	\$92,645

**Credit Claimed**

Size of Credit Used	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Negative*	4	(\$975,546)	(0.07)	(\$10,035)	(\$243,887)
Zero	700	77,316,043	5.18	11,005	110,451
\$ 1 - \$ 499	497	20,194,660	1.35	3,584	40,633
500 - 999	350	14,154,885	0.95	6,436	40,443
1,000 - 4,999	993	81,819,465	5.48	13,851	82,396
5,000 - 9,999	288	50,869,048	3.40	35,930	176,629
10,000 - 24,999	335	75,096,112	5.03	40,151	224,167
25,000 - 49,999	171	62,278,952	4.17	103,228	364,204
50,000 - 99,999	106	54,127,951	3.62	149,986	510,641
100,000 - 499,999	129	281,101,810	18.82	498,673	2,179,084
500,000 and over	31	777,995,859	52.08	3,353,287	25,096,641
Total	3,604	\$1,493,979,239	100.00	\$18,376	\$414,534

\* "Negative" means recapture exceeds amount of available credit.  
 Note: Credit ranges have been compressed due to confidentiality restrictions.

**Table 8: Profile of New York State Investment Tax Credit by Size of Credit Used – 1996 Liability Year (Con't)**

**Credit Used**

Size of Credit Used	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Negative*	4	(\$975,546)	(0.73)	(\$10,035)	(\$243,887)
Zero	0	0	0.00	0	0
\$ 1 - \$ 499	497	115,830	0.09	219	233
500 - 999	350	255,276	0.19	726	729
1,000 - 4,999	993	2,405,292	1.81	2,150	2,422
5,000 - 9,999	288	2,006,181	1.51	6,557	6,966
10,000 - 24,999	335	5,336,623	4.01	15,411	15,930
25,000 - 49,999	171	6,120,198	4.60	34,704	35,791
50,000 - 99,999	106	7,471,008	5.61	66,648	70,481
100,000 - 499,999	129	25,272,719	18.99	158,958	195,913
500,000 and over	31	85,100,766	63.93	1,054,322	2,745,186
Total	2,904	\$133,108,347	100.00	\$2,503	\$45,836

**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
Zero	686	\$ 67,008,085	4.98	\$10,543	\$ 97,679
\$ 1 - \$ 499	360	20,009,898	1.49	10,592	55,583
500 - 999	258	13,593,851	1.01	14,077	52,689
1,000 - 4,999	761	79,231,518	5.89	21,579	104,115
5,000 - 9,999	212	47,872,767	3.56	59,370	225,815
10,000 - 24,999	211	69,604,520	5.17	112,990	329,879
25,000 - 49,999	111	55,713,375	4.14	206,497	501,922
50,000 - 99,999	68	45,230,089	3.36	201,468	665,148
100,000 - 499,999	87	254,097,699	18.89	696,360	2,920,663
500,000 and over	22	692,895,093	51.51	5,750,038	31,495,232
Total	2,776	\$1,345,256,895	100.00	\$23,488	\$484,603

\* "Negative" means recapture exceeds amount of available credit.

Table 9: Profile of New York State Special Additional Mortgage Recording Credit by Basis of Taxation – 1996 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	3	\$ 22,655	1.80	d/	\$ 7,552
Fixed Dollar Minimum Tax	10	246,625	19.59	\$2,662	24,663
Capital Base	14	62,211	4.94	500	4,444
Alternative Minimum Tax	5	927,528	73.67	9,212	185,506
Total	32	\$1,259,019	100.00	\$1,488	\$39,344

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	6	\$2,722,637	40.44	\$12,378	\$453,773
Fixed Dollar Minimum Tax	44	2,761,166	41.01	3,006	62,754
Capital Base	21	216,074	3.21	500	10,289
Alternative Minimum Tax	12	1,032,379	15.33	8,665	86,032
Total	83	\$6,732,256	100.00	\$ 2,512	\$ 81,112

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	6	\$2,657,221	92.28	\$6,459	\$442,870
Fixed Dollar Minimum Tax	29	47,791	1.66	397	1,648
Capital Base	19	10,710	0.37	426	564
Alternative Minimum Tax	6	163,943	5.69	5,170	27,324
Total	60	\$2,879,665	100.00	\$ 645	\$ 47,994

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	d/	d/	d/	d/	d/
Fixed Dollar Minimum Tax	44	\$2,713,374	70.43	\$1,666	\$61,668
Capital Base	d/	d/	d/	d/	d/
Alternative Minimum Tax	10	868,436	22.54	5,773	86,844
Total	57	\$3,852,590	100.00	\$2,674	\$67,589

**Table 10: Profile of New York State Alternative Minimum Tax Credit by Major Industry Group – 1996 Liability Year**

**Credit Earned**

Major Industry Group	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Unidentifiable	5	\$ 832	0.01	\$169	\$ 166
Agriculture	37	18,489	0.13	306	500
Mining	12	116,899	0.85	578	9,742
Construction	392	528,942	3.85	416	1,349
Manufacturing	538	2,293,552	16.71	590	4,263
Trans., Comm., Pub. Utilities					
Services	175	3,201,974	23.34	674	18,297
Wholesale Trade	480	590,286	4.30	405	1,230
Retail Trade	623	1,837,871	13.39	254	2,950
Finance, Insurance and Real Estate	657	3,160,950	23.04	463	4,811
Services	1,247	1,971,950	14.37	340	1,581
<b>Total</b>	<b>4,166</b>	<b>\$13,721,745</b>	<b>100.00</b>	<b>\$381</b>	<b>\$3,294</b>

**Credit Claimed**

Major Industry Group	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Unidentifiable	3	\$ 31,832	0.06	d/	\$10,611
Agriculture	29	148,676	0.29	\$ 598	5,127
Mining	15	67,914	0.13	1,521	4,528
Construction	372	3,926,367	7.64	1,514	10,555
Manufacturing	498	17,479,132	34.00	2,302	35,099
Trans., Comm., Pub. Utilities					
Services	88	3,646,780	7.00	2,078	41,441
Wholesale Trade	269	1,732,985	3.37	1,041	6,442
Retail Trade	346	1,251,152	2.43	680	3,616
Finance, Insurance and Real Estate	310	17,378,344	34.00	1,156	56,059
Services	798	5,745,867	11.18	778	7,200
<b>Total</b>	<b>2,728</b>	<b>\$51,409,049</b>	<b>100.00</b>	<b>\$1,107</b>	<b>\$18,845</b>

Table 10: Profile of New York State Alternative Minimum Tax Credit by Major Industry Group – 1996 Liability Year (Con't)

Credit Used

Major Industry Group	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Unidentifiable	d/	d/	d/	d/	d/
Agriculture	5	\$ 4,325	0.05	\$160	\$ 865
Mining	d/	d/	d/	d/	d/
Construction	145	443,863	5.32	928	3,061
Manufacturing	77	1,703,803	20.41	1,746	22,127
Trans., Comm., Pub. Utilities Services	23	197,937	2.00	1,274	8,606
Wholesale Trade	91	271,463	3.25	959	2,983
Retail Trade	115	160,984	1.93	407	1,400
Finance, Insurance and Real Estate Services	93	4,822,663	58.00	619	51,857
	230	743,895	8.91	424	3,234
Total	781	\$8,349,579	100.00	\$635	\$10,691

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	3	\$ 31,832	0.07	d/	\$10,611
Agriculture	26	144,351	0.34	\$ 652	5,552
Mining	15	67,268	0.16	1,521	4,485
Construction	306	3,482,504	8.09	1,218	11,381
Manufacturing	461	15,775,329	36.64	2,209	34,220
Trans., Comm., Pub. Utilities Services	79	3,448,843	8.00	1,820	43,656
Wholesale Trade	230	1,461,522	3.39	1,016	6,354
Retail Trade	293	1,090,168	2.53	690	3,721
Finance, Insurance and Real Estate Services	274	12,555,681	29.00	1,156	45,824
	684	5,001,972	11.62	806	7,313
Total	2,371	\$43,059,470	100.00	\$1,090	\$18,161

Table 11: Profile of New York State Alternative Minimum Tax Credit by Size of Entire Net Income – 1996 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	1,514	\$ 5,498,678	40.07	\$447	\$3,632
\$ 1 - \$ 99,999	2,511	2,368,152	17.26	333	943
100,000 - 499,999	72	269,922	1.97	1,168	3,749
500,000 - 999,999	24	91,406	0.67	1,221	3,809
1,000,000 - 24,999,999	38	822,930	6.00	5,977	21,656
25,000,000 - 49,999,999	4	1,965,933	14.33	146,016	491,483
50,000,000 and over	3	2,704,724	19.71	d/	901,575
Total	4,166	\$13,721,745	100.00	\$381	\$3,294

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	1,049	\$13,272,879	25.82	\$1,021	\$12,653
\$ 1 - \$ 99,999	1,287	4,202,934	8.18	828	3,266
100,000 - 499,999	205	3,532,035	6.87	2,832	17,229
500,000 - 999,999	44	1,407,399	2.74	6,428	31,986
1,000,000 - 24,999,999	127	12,276,891	23.88	20,668	96,668
25,000,000 - 49,999,999	8	993,813	1.93	25,232	124,227
50,000,000 - 99,999,999	3	607,789	1.18	d/	202,596
100,000,000 and over	5	15,115,309	29.40	379,106	3,023,062
Total	2,728	\$51,409,049	100.00	\$1,107	\$18,845

\* Income ranges have been compressed due to confidentiality restrictions.

Table 11: Profile of New York State Alternative Minimum Tax Credit by Size of Entire Net Income – 1996 Liability Year (Con't)

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	6	\$ 260,364	3.12	\$606	\$43,394
\$ 1 - \$ 99,999	520	367,578	4.40	396	707
100,000 - 499,999	132	449,464	5.38	1,808	3,405
500,000 - 999,999	27	229,917	2.75	4,949	8,515
1,000,000 - 24,999,999	84	2,622,009	31.40	9,010	31,214
25,000,000 - 49,999,999	7	325,777	3.90	24,195	46,540
50,000,000 - 99,999,999	3	169,228	2.03	d/	56,409
100,000,000 and over	d/	d/	d/	d/	d/
Total	781	\$8,349,579	100.00	\$635	\$10,691

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	1,048	\$13,012,515	30.22	\$1,019	\$12,417
\$ 1 - \$ 99,999	1,063	3,835,356	8.91	855	3,608
100,000 - 499,999	132	3,082,571	7.16	2,799	23,353
500,000 - 999,999	30	1,177,482	2.73	12,310	39,249
1,000,000 - 24,999,999	89	9,654,882	22.42	27,612	108,482
25,000,000 - 49,999,999	4	668,036	1.55	105,619	167,009
50,000,000 and over	d/	d/	d/	d/	d/
Total	2,371	\$43,059,470	100.00	\$1,090	\$18,161

\* Income ranges have been compressed due to confidentiality restrictions.

**Table 12: Profile of New York State Alternative Minimum Tax Credit by Size of Credit Used – 1996 Liability Year**

**Credit Earned**

Size of Credit Used	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Zero	4,166	\$13,721,745	100.00	\$381	\$3,294

**Credit Claimed**

Size of Credit Used	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Zero	1,948	\$27,725,111	53.93	\$1,027	\$14,233
\$ 1 - \$ 499	343	328,658	0.64	357	958
500 - 999	123	217,924	0.42	955	1,772
1,000 - 4,999	214	1,709,968	3.33	3,279	7,991
5,000 - 9,999	30	504,005	0.98	10,454	16,800
10,000 - 24,999	35	1,371,700	2.67	20,680	39,191
25,000 - 49,999	17	1,712,981	3.33	48,265	100,764
50,000 - 99,999	d/	d/	d/	d/	d/
100,000 - 499,999	11	5,134,375	9.99	431,972	466,761
500,000 and over	d/	d/	d/	d/	d/
Total	2,728	\$51,409,049	100.00	\$1,107	\$18,845

Note: Taxpayers can only earn AMT credit if paying under the AMT base. The "Credit Earned" table reflects that taxpayers cannot use the AMT credit in the same year it is earned.

Table 12: Profile of New York State Alternative Minimum Tax Credit by Size of Credit Used – 1996 Liability Year  
(Con't)

Credit Used

Size of Credit Used	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
\$ 1 - \$ 499	343	\$ 64,655	0.77	\$151	\$ 188
500 - 999	123	88,586	1.06	706	720
1,000 - 4,999	214	472,072	5.65	1,896	2,206
5,000 - 9,999	30	217,544	2.61	6,921	7,251
10,000 - 24,999	36	588,744	7.05	15,148	16,354
25,000 - 49,999	17	603,913	7.23	35,637	35,524
50,000 - 99,999	d/	d/	d/	d/	d/
100,000 - 499,999	11	2,244,714	26.88	161,780	204,065
500,000 and over	d/	d/	d/	d/	d/
Total	781	\$8,349,579	100.00	\$635	\$10,691

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
Zero	1,948	\$27,725,111	64.39	\$1,027	\$14,233
\$ 1 - \$ 499	171	264,003	0.61	515	1,544
500 - 999	71	129,338	0.30	1,053	1,822
1,000 - 4,999	124	1,237,896	2.87	3,476	9,983
5,000 - 9,999	17	286,461	0.67	16,238	16,851
10,000 - 24,999	18	782,956	1.82	27,581	43,498
25,000 - 49,999	9	1,109,068	2.58	117,114	123,230
50,000 - 99,999	d/	d/	d/	d/	d/
100,000 - 499,999	8	2,889,661	6.71	298,103	361,208
500,000 and over	d/	d/	d/	d/	d/
Total	2,371	\$43,059,470	100.00	\$1,090	\$18,161

**Table 13: Profile of New York State EDZ Wage Credit by Basis of Taxation – 1996 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	32	\$ 822,627	14.89	\$4,782	\$25,707
Fixed Dollar Minimum Tax	14	2,466,211	44.65	14,812	176,158
Capital Base	3	72,750	1.32	d/	24,250
Alternative Minimum Tax	43	2,162,447	39.15	9,750	50,289
<b>Total</b>	<b>92</b>	<b>\$5,524,035</b>	<b>100.00</b>	<b>\$9,188</b>	<b>\$60,044</b>

**Credit Claimed**

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	33	\$ 940,075	13.06	\$ 6,078	\$28,487
Fixed Dollar Minimum Tax	18	2,651,552	36.82	15,978	147,308
Capital Base	3	179,444	2.49	d/	59,815
Alternative Minimum Tax	51	3,429,509	47.63	12,000	67,245
<b>Total</b>	<b>105</b>	<b>\$7,200,580</b>	<b>100.00</b>	<b>\$11,508</b>	<b>\$68,577</b>

**Credit Used**

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	33	\$ 704,738	42.25	\$3,323	\$21,356
Fixed Dollar Minimum Tax	14	90,028	5.40	1,282	6,431
Capital Base	3	1,930	0.12	d/	643
Alternative Minimum Tax	48	871,270	52.24	3,494	18,151
<b>Total</b>	<b>98</b>	<b>\$1,667,966</b>	<b>100.00</b>	<b>\$3,194</b>	<b>\$17,020</b>

**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	d/	d/	d/	d/	d/
Fixed Dollar Minimum Tax	16	\$2,532,977	49.73	\$14,540	\$158,311
Capital Base	d/	d/	d/	d/	d/
Alternative Minimum Tax	39	2,158,900	42.39	16,451	55,356
<b>Total</b>	<b>72</b>	<b>\$5,093,235</b>	<b>100.00</b>	<b>\$10,938</b>	<b>\$ 70,739</b>

**Table 14: Profile of New York State EDZ Investment Credit by Basis of Taxation – 1996 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	16	\$ 3,091,610	10.04	\$12,220	\$193,226
Fixed Dollar Minimum Tax	29	15,675,370	50.91	8,625	540,530
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	78	12,025,800	39.05	23,250	154,177
<b>Total</b>	<b>123</b>	<b>\$30,792,780</b>	<b>100.00</b>	<b>\$17,116</b>	<b>\$250,348</b>

**Credit Claimed**

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	18	\$ 5,994,246	11.53	\$16,099	\$333,014
Fixed Dollar Minimum Tax	37	18,485,663	35.57	32,605	499,613
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	81	27,492,049	52.90	46,825	339,408
<b>Total</b>	<b>136</b>	<b>\$51,971,958</b>	<b>100.00</b>	<b>\$38,801</b>	<b>\$382,147</b>

**Credit Used**

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	17	\$1,550,783	38.12	\$15,210	\$91,223
Fixed Dollar Minimum Tax	14	184,637	4.54	1,258	13,188
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	55	2,332,556	57.34	6,370	42,410
<b>Total</b>	<b>86</b>	<b>\$4,067,976</b>	<b>100.00</b>	<b>\$ 6,757</b>	<b>\$47,302</b>

**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	d/	d/	d/	d/	d/
Fixed Dollar Minimum Tax	36	\$11,058,760	31.70	\$24,048	\$307,188
Capital Base	d/	d/	d/	d/	d/
Alternative Minimum Tax	75	23,766,409	68.13	36,700	316,885
<b>Total</b>	<b>113</b>	<b>\$34,884,804</b>	<b>100.00</b>	<b>\$36,283</b>	<b>\$308,715</b>

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# Appendix A: Credit Provisions Effective for Tax Years Beginning Prior to January 1, 1997

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## 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 manufacturing production facilities located in New York State. 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, and was available for up to three years. 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.<sup>1</sup>

For ITCs and EICs generated on or after January 1, 1987, the allowable credit carry forward was extended from 7 to 10 years. (This extension, however, did not apply to pre-1987 research and development credits.)

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	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
Year Property is Placed in Service		
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

### Credit for Research and Development Property Under the ITC

Research and development (R&D) property acquired on or after January 1, 1987 qualifies for the ITC. Taxpayers may elect the regular ITC 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 EIC 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. The credit is not allowed for such taxes 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.<sup>2</sup>

For periods beginning on or after January 1, 1994, taxpayers may elect to treat the unused portion of the special additional mortgage recording tax credit as an overpayment to be credited or refunded.

### 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

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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 pre-credit liability. A taxpayer could not have claimed both the job incentive credit and another credit for the same investment.

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Economic  
Development Zone  
Tax Credits/Zone  
Equivalent Wage Tax  
Credit

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 a wage credit, a capital corporation credit, and an investment tax credit.

In 1993 and 1994, New York State expanded and modified the EDZ program, effective for tax years beginning on or after January 1, 1994. 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 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).

EDZ Wage Credit/ZEAs  
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 pre-credit tax liability.

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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.

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

Production property acquired or built in an EDZ may qualify for an investment tax credit 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 ITC) applies in the three years following the year in which the corporation claimed the ITC. To qualify for this second credit, the taxpayer's employment in the EDZ (excluding general executive officers) must equal at least 101 percent of its average employment in the year prior to earning the ITC.

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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  
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 within 36 months of acquisition.

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.

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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 (entire net income base) for a portion of AMT paid in 1990 and subsequent years. A taxpayer could use the AMT credit to reduce their regular tax liability to the fixed dollar minimum, the capital base, or the minimum taxable income base, whichever was higher. The credit cannot be used against the subsidiary capital base.

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). In addition, prior to 1994, both minimum tax calculations disallowed the NOL deduction, and required single weighting of the receipts factor. Corporations 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.

Effective for taxable years beginning in 1994, taxpayers may claim an AMT credit against regular (ENI-based) tax liability for part of the net operating loss deduction not used in computing the AMT. 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.

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## Fixed Dollar Minimum Tax

New York’s corporate franchise tax law also 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 of \$1,000 or less;
- total gross (i.e., everywhere) receipts of \$1,000 or less; and
- gross assets with an average value of \$1,000 or less.

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## Changes in 1995-96 State Budgets

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

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## Changes in 1996-97 State Budgets

The 1996-97 State Budget contained two significant tax law changes affecting corporate tax credit provisions. These included the following:<sup>3</sup>

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- *Credit for Rehabilitation of Historic Barns*

Effective for taxable years beginning on or after January 1, 1997, the ITC was 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 that used for 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 ITC on manufacturing property and the ITC 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. A farmer is 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 apply if the taxpayer converts the property to a nonqualified use within 2 years.

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## 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 increased from 7 to 10 years. The cutoff of pre-1987 investment tax credit carry forwards was extended from 1994 to 1997.
2. Taxpayers may request a refund of special additional mortgage recording tax credit earned after January 1, 1994.
3. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, Summary of 1996-97 Tax Provisions (August 1996) for more details on changes to credit provisions.

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# Appendix B: Highlights of Tax Credit Changes Effective for Tax Years Beginning On or After January 1, 1997

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## Changes in 1997-98 State Budget

The 1997-98 State Budget expanded existing credit provisions and also contained a new tax credit for alternative fuel vehicles and alternative fuel refueling property.<sup>1</sup>

- *Investment Tax Credit/Employment Incentive Credit Carryforward*

The 1997-98 Budget extended the investment tax credit and the employment incentive credit carryforward period from ten to 15 years. Any unused pre-1987 credits will now be available until 2002 to provide relief for businesses. Post-1986 credits will have a 15-year carryforward.

- *Alternative Fuels Vehicle Credit*

Corporate franchise taxpayers may claim credits for electric vehicles; clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. The tax credits are available for property placed in service in taxable years beginning on or after January 1, 1998 and before 2003. The credits may be transferred to Article 9-A affiliates.

The tax credits equal 50 percent of the incremental cost of new electric vehicles registered in New York (capped at \$5,000 per vehicle); 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at \$5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and \$10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.

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Agricultural Property Tax  
Credit

The 1997-98 Budget amended the farm school property tax credit for tax years beginning on or after January 1, 1998. For corporations, excess federal gross income for determination of the 2/3 farming income test equals federal gross income from all sources in excess of \$30,000.

The income limitation which phases out the credit was modified such that payments on principal on farm indebtedness may be subtracted from New York State entire net income in order to calculate the income limitation.

The changes clarified that gross income from production of maple syrup, or cider, or sale of wine from a licensed farm winery, shall be included in "federal gross income from farming" for purposes of determining the 2/3 farming income test.

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Chapter 142 of the  
Laws of 1997

*Credit for Employers Who Hire Persons With Disabilities*

Chapter 142 of the Laws of 1997 created a new tax credit for employers who hire individuals with disabilities.

The credit equals 35 percent of the first \$6,000 of first year wages paid to the disabled employee (a maximum of \$2,100 per employee). However, if the first year wages qualify for the federal work opportunity tax credit, the New York credit will apply to second year wages. The federal tax credit was extended to July 1, 1998.

To become eligible for the State credit, an employee must work for the employer on a full time basis for at least 180 days or 400 hours, and must be certified as disabled by the State Education Department. Visually handicapped employees may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

The credit becomes effective for tax years beginning on or after January 1, 1998, with respect to employees who begin work on or after January 1, 1997. Unused credits are not refundable, but they may be carried forward indefinitely.

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## Changes in 1998-99 State Budget

The 1998-99 State Budget contained a number of new credit provisions designed to enhance New York's business competitiveness and to encourage the growth of high technology companies.<sup>2</sup>

- *Investment Tax Credit for Broker/Dealers in the Financial Securities Sector*

The investment tax credit (ITC), currently available to corporations for manufacturing operations, is extended to corporations that are brokers or dealers in securities. The credit is available for equipment or buildings used in the broker/dealer activity and in activities connected with their operations, such as the provision of investment advice, and lending activities associated with the purchase and sale of securities. The credit is also extended to national securities exchanges.

The ITC provides a credit of 5 percent of the cost of qualified expenditures of up to \$350 million. Qualified investment expenditures in excess of \$350 million are eligible for a 4 percent credit.

Eligibility for the credit requires the location of the employees performing the administrative and support functions associated with the qualifying use of the equipment to be substantially within New York. Taxpayers that lease property to an affiliated broker/dealer or exchange are eligible for the credit.

The credit is available for property placed in service for the five year period between October 1, 1998 and September 30, 2003.

- *New York State Emerging Industry Jobs Act*

The "New York State Emerging Industry Jobs Act" provides Article 9-A tax credits for qualified emerging technology companies that invest in research and development in New York State. A qualified emerging technology company is defined as a company located in New York whose primary products or services are classified as emerging technologies. The company must also meet other qualifications.

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The credits include an employment tax credit and a capital credit. The employment tax credit equals \$1,000 for each individual employed full time over a base level. The credit is allowed only in the first taxable year in which it is claimed and in each of the next two taxable years. It may be carried forward indefinitely. The capital credits vary, depending on how long the investment is held. Qualified investment means the contribution of property to a corporation in exchange for original issue capital stock or other ownership interest, and similar contributions. The credit equals 10 percent of qualified investments held during the four years following the year the credit is first claimed. The total amount of the credit allowed for all years is capped at \$150,000. For investments held during the nine years following the year the credit is first claimed, the credit equals 20 percent. The total amount of the credit allowed for all years is \$300,000. There is a recapture if the investment is sold. The credit may be carried forward indefinitely.

The credits apply to tax years beginning on or after January 1, 1999.

- *Acceleration of Farmer's School Tax Credit*

The acreage limitation under the credit for school property taxes paid on agricultural property was increased from 175 acres to 250 acres for the 1998 tax year.

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## Endnotes

1. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, Summary of 1997-98 Tax Provisions (September 1997) for further descriptions of the credit provisions.
2. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, Summary of 1998-99 Tax Provisions (August 1998) for additional detail on these credit provisions.



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# Appendix C: Summary of 1999-00

## Article 9-A Tax Law Provisions

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### Corporation Franchise Tax

#### Expansion of Qualified Emerging Technologies Credit to the Remanufacturing of Certain Commodities

The legislation broadens the existing definition of qualified emerging technologies for purposes of the employment tax credit and capital investment tax credits available under the 1998 “New York State Emerging Industry Jobs Act.” The new definition includes companies that use remanufacturing processes to restore eligible commodities. Remanufacturing processes restore eligible commodities to their original performance standards, thereby removing such materials from the solid waste stream. Eligible commodities include, for example, ink jet cartridges, magnetic ink character recognition cartridges, printer cartridges, and disposable cameras. The technology processes must also retain the majority of components that have been through at least one life cycle and replace consumable portions to enable the equipment to be restored to its original function. As with the original legislation enacted in 1998, the new provisions apply to qualified emerging technology companies with total annual product sales of \$10 million or less. The companies must also meet other requirements relating to research and development. The expanded definition provisions take effect for taxable years beginning on or after January 1, 2001.

#### Automated External Defibrillator Tax Credit

The legislation creates a new tax credit for corporations, personal income taxpayers (including S corporation shareholders), banks and insurance companies purchasing an automated external defibrillator. Taxpayers may claim a tax credit of \$500 for each unit purchased. The legislation takes effect for taxable years beginning on or after January 1, 2001.

#### Alternative Minimum Tax Rate Reduction

The alternative minimum tax rate for Article 9-A corporation franchise taxpayers drops from 3 percent to 2.5 percent for taxable years beginning after June 30, 2000.

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Merger and Acquisition Provisions	The budget legislation repeals provisions relating to mergers, acquisitions and consolidations, and as a result prevents the elimination of investment tax credits for these companies. The provisions take effect for taxable years beginning on or after January 1, 2000.
Subsidiary Capital Tax Exclusion for Banks and Insurance Subsidiaries	This provision amends the subsidiary capital tax under Article 9-A of the Tax Law. It allows a corporate parent to exclude from its subsidiary capital tax base capital attributable to subsidiaries taxable under Article 32 (bank) or 33 (insurance) taxes. This provision is effective for taxable years beginning after December 31, 1999.
Subsidiary Capital Tax Exclusion for Gas and Electric Subsidiaries	This provision amends the Article 9-A subsidiary capital tax. With the required restructuring of gas and electric utilities, the corporate structure is no longer one integrated company, but instead, characterized by an Article 9-A parent company, with gas and electric subsidiaries. This provision excludes from the subsidiary capital tax base of the Article 9-A parent, the subsidiary capital of all the gas and electric subsidiaries taxable under section 186 of the Tax Law. This provision was phased into law by allowing a 30 percent exclusion of this subsidiary capital for taxable years beginning on or after January 1, 2000, and a 100 percent exclusion for taxable years beginning on or after January 1, 2001.
Economic Development Zone, Zone Equivalent Area Wage Tax Credit Expansion	The budget legislation doubles the existing wage tax credit for wages paid in economic development zones (EDZs) and Zone Equivalent Areas (ZEAs). The credit increases from \$1,500 to \$3,000 for targeted employees and from \$750 to \$1,500 for other individuals. In addition, the legislation increases, from two to five years, the period in which taxpayers may claim the ZEA wage credit. The provisions take effect for taxable years beginning on or after January 1, 2001, and also apply for the personal income, bank, and insurance taxes.
Alternative Fuels Tax Credit Expansion	The legislation expands the availability of existing alternative fuels tax credits for electric vehicles and clean fuel vehicle property under Article 9-A. It allows the credits to apply to such vehicles sold or leased to governmental entities. The manufacturing and processing activities relating to the vehicles must create at least 25 full time jobs in New York. The provisions apply to taxable years beginning on or after January 1, 2000. The credit is capped at \$2.5 million for the total amount allowed, and sunsets on December 31, 2001.

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Freight Forwarders  
Allocation Formula

The budget legislation changes the Article 9-A allocation formula used by an air freight forwarder affiliated with an airline (and filing a combined return) from the standard formula to the allocation method used by airlines. The standard business allocation formula is based on property, payroll and receipts. The airline formula is based on takeoffs and landings, revenue tons and originating revenue. These provisions take effect for tax years beginning on or after January 1, 2001.

Airline Income  
Apportionment Reduction

The budget reduces the tax on aviation corporations by reducing the measure of taxable activity within the State. Corporations principally involved with aviation determine the portion of income taxable by the State through the application of a three-factor allocation formula. The three factors are based upon arrivals and departures, revenue tons, and originating revenue. The business allocation percentage is calculated as the average of the ratio of each New York factor to the value of each factor everywhere. The budget changes the formula to reduce the business allocation factor by 40 percent. This change takes effect for tax years beginning on or after January 1, 2001.



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# Appendix D: Legislative Mandate

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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.

