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# Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1997

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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, 1997, and ends on or before November 30, 1998 (hereinafter referred to as the 1997 tax liability year).

Definitions and descriptions of the various tax credits for the time period analyzed appear in Appendix A. Appendix B provides the legislative mandate for the report.

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## Highlights for 1997

- Corporate taxpayers *earned* a total of \$255.8 million in credits, *claimed* a total of \$1,774.2 million in credits and *used* a total of \$157.1 million in credits against their Article 9-A liability.
- The investment tax credit (ITC) accounted for about 90.4 percent of all tax credits used.
- Both the amount of total credit used and the amount of total credit claimed increased by 5 percent between 1996 and 1997. Credit earned decreased by 19.5 percent between 1996 and 1997.
- Over 93.4 percent of the amount of ITC credits used were in amounts greater than \$100,000.



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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>1</sup> for the following components of each credit:<sup>2</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>3</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.

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,

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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 entire net income (ENI) base, the capital base, the alternative minimum tax (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>4</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>5</sup> Beginning with the 1996 tax year, additional AMT credit data were captured from tax returns and are presented in this report.<sup>6</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 tables in this report 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 1: Comparison of Article 9-A Tax Credit Activity – 1996 and 1997**

Component	1996 (\$ millions)							Total 1/
	Investment Credit	Special Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	Mortgage Servicing Credit	Farmer's School Tax Credit	
Total Credit Earned	\$262.2	1.3	-	36.6	13.7	-		\$313.8
Unused Credit from the Prior Year	1,338.5	5.5	-	23.0	51.4	-		1,418.4
Total Credit Available	1,600.7	6.7	-	59.6	65.1	-		1,732.2
Recaptured Credit	36.0	-	-	0.0	0.0	-		36.0
Credit Claimed	1,564.7	6.7	-	59.6	51.4	-		1,682.4
Credit Used	133.4	2.9	0.1	6.0	8.1	0.0		150.5
Refundable Credit	15.6	0.6	-	13.5	0.0	-		29.7
Credit Carried Forward	1,415.8	3.9	-	40.1	43.3	-		1,503.0

  

Component	1997 (\$ millions)							Total 1/
	Investment Credit	Special Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	Mortgage Servicing Credit	Farmer's School Tax Credit	
Total Credit Earned	\$214.2	0.8	-	32.8	7.7	-	0.3	\$255.8
Unused Credit from the Prior Year	1,434.5	1.6	-	35.8	71.2	-	0.0	1,543.0
Total Credit Available	1,648.6	2.4	-	68.6	71.2	-	0.3	1,791.1
Recaptured Credit	16.7	-	-	0.2	0.0	-	0.0	16.9
Credit Claimed	1,632.0	2.4	-	68.4	71.2	-	0.3	1,774.2
Credit Used	142.1	0.3	0.0	6.4	8.3	0.0	0.0	157.1
Refundable Credit	10.1	0.9	-	3.1	0.0	-	0.3	14.3
Credit Carried Forward	1,480.2	2.1	-	59.0	62.9	-	0.0	1,604.1

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

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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. 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.
2. There is only data available for the “credit used” component for the Job Incentive Credit, the EDZ Capital Credit and the Mortgage Servicing Credit.
3. 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.
4. 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.
5. 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.
6. 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.

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**Table 2: Profile of Total New York State Tax Credits – 1996 and 1997**

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**Credits Earned By Year  
and Credit Type**

Credit	1996		1997	
	Number of Taxpayers	Amount of Credit Earned	Number of Taxpayers	Amount of Credit Earned
Investment Tax Credit	2,795	\$262,245,316	2,627	\$214,190,081
Additional Mortgage Recording Credit	32	1,259,019	58	795,924
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	92	5,524,035	131	4,176,861
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	123	30,792,780	124	28,038,177
ZEA Wage Credit	11	261,681	13	611,125
Alternative Minimum Tax Credit	4,166	13,721,745	3,380	7,708,926
Mortgage Servicing Tax Credit	-	-	-	-
Farmers' School Tax Credit	-	-	62	303,434

**Credits Claimed By Year  
and Credit Type**

Credit	1996		1997	
	Number of Taxpayers	Amount of Credit Claimed	Number of Taxpayers	Amount of Credit Claimed
Investment Tax Credit	3,605	\$1,564,740,215	3,432	\$1,631,995,413
Additional Mortgage Recording Credit	83	6,732,256	99	2,385,438
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	105	7,200,580	154	8,728,008
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	136	51,971,958	138	58,998,413
ZEA Wage Credit	12	392,429	14	659,531
Alternative Minimum Tax Credit	2,728	51,409,049	3,020	71,168,033
Mortgage Servicing Tax Credit	-	-	-	-
Farmers' School Tax Credit	-	-	62	303,434

**Table 2: Profile of Total New York State Tax Credits – 1996 and 1997 (Con't)**

**Credits Used By Year and Credit Type**

Credit	1996		1997	
	Number of Taxpayers	Amount of Credit Used	Number of Taxpayers	Amount of Credit Used
Investment Tax Credit	2,905	\$133,361,955	2,797	\$142,067,968
Additional Mortgage Recording Credit	60	2,879,665	81	330,404
Job Incentive Credit	5	145,885	d/	d/
EDZ Wage Credit	98	1,667,966	124	1,884,201
EDZ Capital Corporation Credit	d/	d/	4	6,539
EDZ Investment Tax Credit	86	4,067,976	86	4,020,423
ZEA Wage Credit	9	296,678	12	460,654
Alternative Minimum Tax Credit	780	8,095,971	838	8,311,711
Mortgage Servicing Tax Credit	0	0	0	0
Farmers' School Tax Credit	-	-	13	15,660

**Credits Carried Forward By Year and Credit Type**

Credit	1996		1997	
	Number of Taxpayers	Amount of Credit Carried Forward	Number of Taxpayers	Amount of Credit Carried Forward
Investment Tax Credit	2,777	\$1,415,764,263	2,673	\$1,480,191,278
Additional Mortgage Recording Credit	57	3,852,590	52	2,055,033
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	72	5,093,235	119	6,337,058
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	113	34,884,804	121	52,438,399
ZEA Wage Credit	7	93,876	8	178,376
Alternative Minimum Tax Credit	2,371	43,313,078	2,648	62,856,322
Mortgage Servicing Tax Credit	-	-	-	-
Farmers' School Tax Credit	-	-	7	10,813

**Table 3: Profile of New York State Investment Tax Credit by Basis of Taxation - 1997 Liability Year**

Credit Earned	Credit Earned					
	Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
	Entire Net Income	597	\$29,351,270	13.70	\$4,744	\$49,165
	Fixed Dollar Minimum Tax	724	31,180,804	14.56	3,689	43,067
	Capital Base	72	588,006	0.27	2,396	8,167
	Alternative Minimum Tax	1,234	153,070,001	71.46	9,562	124,044
	<b>Total</b>	<b>2,627</b>	<b>\$214,190,081</b>	<b>100.00</b>	<b>\$6,193</b>	<b>\$81,534</b>

Credit Claimed	Credit Claimed					
	Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
	Entire Net Income	657	\$62,079,399	3.80	\$5,251	\$94,489
	Fixed Dollar Minimum Tax	1,158	254,612,677	15.60	16,633	219,873
	Capital Base	88	14,856,869	0.91	3,572	168,828
	Alternative Minimum Tax	1,529	1,300,446,468	79.68	39,979	850,521
	<b>Total</b>	<b>3,432</b>	<b>\$1,631,995,413</b>	<b>100.00</b>	<b>\$20,494</b>	<b>\$475,523</b>

Credit Used	Credit Used					
	Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
	Entire Net Income	648	\$32,929,705	23.18	\$4,755	\$50,817
	Fixed Dollar Minimum Tax	686	6,627,167	4.66	926	9,661
	Capital Base	74	481,011	0.34	2,178	6,500
	Alternative Minimum Tax	1,389	102,030,085	71.82	3,783	73,456
	<b>Total</b>	<b>2,797</b>	<b>\$142,067,968</b>	<b>100.00</b>	<b>\$2,941</b>	<b>\$50,793</b>

Credit Carried Forward	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	72	\$29,374,229	1.98	\$18,496	\$407,975
	Fixed Dollar Minimum Tax	1,109	246,497,597	16.65	16,271	222,270
	Capital Base	28	14,372,866	0.97	39,222	513,317
	Alternative Minimum Tax	1,464	1,189,946,586	80.39	33,771	812,805
	<b>Total</b>	<b>2,673</b>	<b>\$1,480,191,278</b>	<b>100.00</b>	<b>\$25,166</b>	<b>\$553,757</b>

**Table 4: Profile of New York State Investment Tax Credit by Major Industry Group - 1997 Liability Year**

Credit Earned	Credit Earned					
	Major Industry Group	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
	Unidentifiable	10	\$309,098	0.14	\$5,245	\$30,910
	Agriculture	190	1,610,169	0.75	1,970	8,475
	Mining	38	2,785,588	1.30	17,463	73,305
	Construction	44	457,269	0.21	2,358	10,392
	Manufacturing	1,912	177,193,126	82.73	7,238	92,674
	Trans., Comm., Pub. Utilities Services	11	5,317,489	2.48	12,607	483,408
	Wholesale Trade	151	4,100,103	1.91	4,917	27,153
	Retail Trade	44	1,120,844	0.52	5,272	25,474
	Finance, Insurance and Real Estate	47	11,401,456	5.32	13,827	242,584
	Services	180	9,894,939	4.62	4,973	54,972
	<b>Total</b>	<b>2,627</b>	<b>\$214,190,081</b>	<b>100.00</b>	<b>\$6,193</b>	<b>\$81,534</b>

Credit Claimed	Credit Claimed					
	Major Industry Group	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
	Unidentifiable	11	\$311,257	0.02	\$4,701	\$28,296
	Agriculture	249	10,571,837	0.65	15,559	42,457
	Mining	49	15,847,891	0.97	47,515	323,426
	Construction	63	1,810,654	0.11	6,850	28,741
	Manufacturing	2,429	1,442,014,561	88.36	24,326	593,666
	Trans., Comm., Pub. Utilities Services	17	27,903,603	1.71	10,523	1,641,388
	Wholesale Trade	213	14,086,465	0.86	11,180	66,134
	Retail Trade	67	5,277,816	0.32	9,195	78,773
	Finance, Insurance and Real Estate	68	74,227,524	4.55	67,245	1,091,581
	Services	266	39,943,805	2.45	11,996	150,165
	<b>Total</b>	<b>3,432</b>	<b>\$1,631,995,413</b>	<b>100.00</b>	<b>\$20,494</b>	<b>\$475,523</b>

**Table 4: Profile of New York State Investment Tax Credit by Major Industry Group - 1997 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	5	\$2,315	0.00	\$170	\$463
	Agriculture	179	435,033	0.31	948	2,430
	Mining	45	1,874,429	1.32	5,441	41,654
	Construction	52	313,503	0.22	1,489	6,029
	Manufacturing	2,025	108,745,604	76.54	3,466	53,702
	Trans., Comm., Pub. Utilities Services	12	7,766,266	5.47	1,610	647,189
	Wholesale Trade	179	2,955,228	2.08	2,255	16,510
	Retail Trade	48	1,184,430	0.83	819	24,676
	Finance, Insurance and Real Estate	60	8,928,502	6.28	8,206	148,808
	Services	192	9,862,658	6.94	2,272	51,368
	<b>Total</b>	<b>2,797</b>	<b>\$142,067,968</b>	<b>100.00</b>	<b>\$2,941</b>	<b>\$50,793</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	10	\$226,315	0.02	\$2,761	\$22,632
	Agriculture	222	10,012,920	0.68	18,094	45,103
	Mining	38	13,973,237	0.94	53,878	367,717
	Construction	43	1,482,845	0.10	10,824	34,485
	Manufacturing	1,888	1,327,216,432	89.67	30,802	702,975
	Trans., Comm., Pub. Utilities Services	12	20,116,128	1.36	23,398	1,676,344
	Wholesale Trade	156	11,112,681	0.75	14,354	71,235
	Retail Trade	53	4,049,237	0.27	8,307	76,401
	Finance, Insurance and Real Estate	44	62,043,945	4.19	120,089	1,410,090
	Services	207	29,957,538	2.02	14,173	144,722
	<b>Total</b>	<b>2,673</b>	<b>\$1,480,191,278</b>	<b>100.00</b>	<b>\$25,166</b>	<b>\$553,757</b>

**Table 5: Profile of New York State Investment Tax Credit by Size of Entire Net Income - 1997 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	650	\$45,605,956	21.29	\$5,766	\$70,163
\$ 1 - \$ 99,999	872	7,735,442	3.61	2,500	8,871
100,000 - 499,999	437	7,400,174	3.45	6,317	16,934
500,000 - 999,999	132	4,456,003	2.08	13,000	33,758
1,000,000 - 24,999,999	415	38,853,930	18.14	28,493	93,624
25,000,000 - 49,999,999	36	10,134,591	4.73	72,860	281,516
50,000,000 - 99,999,999	38	19,776,382	9.23	76,658	520,431
100,000,000 - 499,999,999	31	26,845,749	12.53	134,399	865,992
500,000,000 - and over	16	53,381,854	24.92	1,247,988	3,336,366
Total	2,627	\$214,190,081	100.00	\$6,193	\$81,534

**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	963	\$372,118,738	22.80	\$24,272	\$386,416
\$ 1 - \$ 99,999	1,220	46,652,740	2.86	10,153	38,240
100,000 - 499,999	501	36,318,745	2.23	24,016	72,493
500,000 - 999,999	146	22,076,468	1.35	39,840	151,209
1,000,000 - 24,999,999	469	199,890,771	12.25	77,132	426,206
25,000,000 - 49,999,999	40	44,687,898	2.74	348,351	1,117,197
50,000,000 - 99,999,999	43	97,355,966	5.97	99,541	2,264,092
100,000,000 - 499,999,999	34	154,149,826	9.45	261,702	4,533,818
500,000,000 - and over	16	658,744,261	40.36	1,476,996	41,171,516
Total	3,432	\$1,631,995,413	100.00	\$20,494	\$475,523

**Table 5: Profile of New York State Investment Tax Credit by Size of Entire Net Income - 1997 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	587	\$7,467,643	5.26	\$1,452	\$12,722
	\$ 1 - \$ 99,999	984	1,572,586	1.11	1,161	1,598
	100,000 - 499,999	493	3,236,508	2.28	5,145	6,565
	500,000 - 999,999	143	2,671,365	1.88	18,694	18,681
	1,000,000 - 24,999,999	458	29,618,245	20.85	36,653	64,669
	25,000,000 - 49,999,999	40	10,514,749	7.40	112,566	262,869
	50,000,000 - 99,999,999	42	11,089,468	7.81	106,897	264,035
	100,000,000 - 499,999,999	34	20,577,972	14.48	135,471	605,234
	500,000,000 - and over	16	55,319,432	38.94	1,476,996	3,457,465
	Total	2,797	\$142,067,968	100.00	\$2,941	\$50,793

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	883	\$363,132,715	24.53	\$28,276	\$411,249
	\$ 1 - \$ 99,999	1,043	44,100,165	2.98	12,416	42,282
	100,000 - 499,999	354	31,907,626	2.16	43,168	90,135
	500,000 - 999,999	93	19,376,908	1.31	93,803	208,354
	1,000,000 - 24,999,999	239	167,089,957	11.29	194,685	699,121
	25,000,000 - 49,999,999	24	34,173,149	2.31	730,382	1,423,881
	50,000,000 - 99,999,999	17	85,556,390	5.78	941,835	5,032,729
	100,000,000 - 499,999,999	13	133,785,011	9.04	2,967,099	10,291,155
	500,000,000 - and over	7	601,069,357	40.61	12,177,733	85,867,051
	Total	2,673	\$1,480,191,278	100.00	\$25,166	\$553,757

**Table 6: Profile of New York State Investment Tax Credit by Size of Credit Used - 1997 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*			d/	d/	d/	d/	d/
Zero			376	\$15,807,188	7.38	\$2,748	\$42,040
\$	1 - \$ 499		330	3,224,711	1.51	588	9,772
	500 - 999		d/	d/	d/	d/	d/
	1,000 - 4,999		761	10,102,956	4.72	3,860	13,276
	5,000 - 9,999		258	5,134,806	2.40	7,783	19,902
	10,000 - 24,999		274	14,666,336	6.85	17,830	53,527
	25,000 - 49,999		140	14,465,883	6.75	35,776	103,328
	50,000 - 99,999		117	13,628,683	6.36	62,981	116,484
	100,000 - 499,999		116	38,527,564	17.99	152,934	332,134
	500,000 - and over		36	96,847,360	45.22	1,129,269	2,690,204
Total			2,627	\$214,190,081	100.00	\$6,193	\$81,534

  

Credit Claimed		Size of Credit Used	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Negative*			7	(\$793,102)	-0.05	(\$24,260)	(\$113,300)
Zero			636	109,252,895	6.69	9,620	171,781
\$	1 - \$ 499		457	19,740,938	1.21	5,115	43,197
	500 - 999		293	10,934,035	0.67	9,459	37,318
	1,000 - 4,999		969	66,262,610	4.06	14,740	68,382
	5,000 - 9,999		292	37,993,234	2.33	22,171	130,114
	10,000 - 24,999		308	79,897,809	4.90	56,957	259,408
	25,000 - 49,999		151	54,059,284	3.31	91,748	358,009
	50,000 - 99,999		138	88,255,400	5.41	178,002	639,532
	100,000 - 499,999		142	342,239,016	20.97	447,511	2,410,134
	500,000 - and over		39	824,153,294	50.50	4,225,130	21,132,136
Total			3,432	\$1,631,995,413	100.00	\$20,494	\$475,523

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

**Table 6: Profile of New York State Investment Tax Credit by Size of Credit Used - 1997 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*	7	(\$793,102)	-0.56	(\$24,260)	(\$113,300)
	Zero	0	0	0.00	0	0
	\$ 1 - \$ 499	457	112,013	0.08	238	245
	500 - 999	293	209,561	0.15	704	715
	1,000 - 4,999	969	2,420,462	1.70	2,274	2,498
	5,000 - 9,999	292	2,074,113	1.46	6,889	7,103
	10,000 - 24,999	308	5,036,286	3.54	15,944	16,352
	25,000 - 49,999	151	5,221,932	3.68	32,654	34,582
	50,000 - 99,999	138	9,704,006	6.83	68,324	70,319
	100,000 - 499,999	143	29,300,649	20.62	174,642	204,900
	500,000 - and over	39	88,782,048	62.49	1,000,384	2,276,463
	Total	2,797	\$142,067,968	100.00	\$2,941	\$50,793

**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*	0	\$0	0.00	\$0	\$0
Zero	618	106,840,009	7.22	9,224	172,880
\$ 1 - \$ 499	336	19,342,029	1.31	11,649	57,566
500 - 999	229	10,664,559	0.72	15,012	46,570
1,000 - 4,999	751	62,557,573	4.23	22,972	83,299
5,000 - 9,999	195	35,902,390	2.43	53,239	184,115
10,000 - 24,999	218	73,468,707	4.96	96,147	337,012
25,000 - 49,999	93	48,174,261	3.25	212,981	518,003
50,000 - 99,999	101	77,747,320	5.25	196,790	769,775
100,000 - 499,999	104	313,143,740	21.16	528,897	3,010,998
500,000 - and over	28	732,350,690	49.48	5,347,173	26,155,382
Total	2,673	\$1,480,191,278	100.00	\$25,166	\$553,757

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

**Table 7: Profile of New York State Special Additional Mortgage Recording Credit by Basis of Taxation - 1997 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	7	\$109,309	13.73	\$12,500	\$15,616
	Fixed Dollar Minimum Tax	11	264,411	33.22	2,832	24,037
	Capital Base	30	26,168	3.29	653	872
	Alternative Minimum Tax	10	396,036	49.76	8,496	39,604
	<b>Total</b>	<b>58</b>	<b>\$795,924</b>	<b>100.00</b>	<b>\$1,005</b>	<b>\$13,723</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	8	\$112,908	4.73	\$11,153	\$14,114
	Fixed Dollar Minimum Tax	40	1,034,209	43.36	2,860	25,855
	Capital Base	38	32,374	1.36	681	852
	Alternative Minimum Tax	13	1,205,947	50.55	8,887	92,765
	<b>Total</b>	<b>99</b>	<b>\$2,385,438</b>	<b>100.00</b>	<b>\$1,250</b>	<b>\$24,095</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	8	\$112,908	34.17	\$11,153	\$14,114
	Fixed Dollar Minimum Tax	26	52,847	15.99	346	2,033
	Capital Base	37	28,125	8.51	630	760
	Alternative Minimum Tax	10	136,524	41.32	3,215	13,652
	<b>Total</b>	<b>81</b>	<b>\$330,404</b>	<b>100.00</b>	<b>\$630</b>	<b>\$4,079</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	39	\$981,361	47.75	\$2,832	\$25,163
	Capital Base	d/	d/	d/	d/	d/
	Alternative Minimum Tax	11	1,069,423	52.04	6,127	97,220
	<b>Total</b>	<b>52</b>	<b>\$2,055,033</b>	<b>100.00</b>	<b>\$3,447</b>	<b>\$39,520</b>

**Table 8: Profile of New York State Alternative Minimum Tax Credit by Major Industry Group - 1997 Liability Year**

Credit Earned						
	Major Industry Group	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
	Unidentifiable	97	\$36,934	0.48	\$198	\$381
	Agriculture	27	18,658	0.24	211	691
	Mining	12	70,059	0.91	802	5,838
	Construction	335	482,882	6.26	461	1,441
	Manufacturing	413	2,177,932	28.25	600	5,273
	Trans., Comm., Pub. Utilities					
	Services	152	393,083	5.10	565	2,586
	Wholesale Trade	343	625,075	8.11	440	1,822
	Retail Trade	446	575,165	7.46	278	1,290
	Finance, Insurance and Real Estate					
	Services	577	1,441,231	18.70	433	2,498
	Services	978	1,887,907	24.49	319	1,930
	Total	3,380	\$7,708,926	100.00	\$379	\$2,281

Credit Claimed						
	Major Industry Group	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
	Unidentifiable	19	\$30,498	0.04	\$649	\$1,605
	Agriculture	31	63,354	0.09	802	2,044
	Mining	8	85,215	0.12	11,287	10,652
	Construction	379	3,358,162	4.72	1,390	8,861
	Manufacturing	485	11,654,586	16.38	2,136	24,030
	Trans., Comm., Pub. Utilities					
	Services	98	7,452,964	10.47	2,072	76,051
	Wholesale Trade	297	1,780,602	2.50	1,008	5,995
	Retail Trade	420	5,637,539	7.92	643	13,423
	Finance, Insurance and Real Estate					
	Services	367	12,884,006	18.10	946	35,106
	Services	916	28,221,107	39.65	727	30,809
	Total	3,020	\$71,168,033	100.00	\$961	\$23,566

**Table 8: Profile of New York State Alternative Minimum Tax Credit by Major Industry Group - 1997 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	3	\$1,010	0.01	d/	\$337
	Mining	d/	d/	d/	d/	d/
	Construction	148	461,036	5.55	\$1,001	3,115
	Manufacturing	90	662,799	7.97	1,524	7,364
	Trans., Comm., Pub. Utilities Services	40	4,093,075	49.24	1,493	102,327
	Wholesale Trade	89	365,622	4.40	551	4,108
	Retail Trade	128	390,911	4.70	547	3,054
	Finance, Insurance and Real Estate	115	1,418,158	17.06	663	12,332
	Services	222	915,894	11.02	456	4,126
	<b>Total</b>	<b>838</b>	<b>\$8,311,711</b>	<b>100.00</b>	<b>\$688</b>	<b>\$9,919</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	17	\$29,764	0.05	\$649	\$1,751
	Agriculture	29	62,344	0.10	1,187	2,150
	Mining	7	82,743	0.13	11,612	11,820
	Construction	308	2,897,126	4.61	1,298	9,406
	Manufacturing	442	10,991,787	17.49	2,071	24,868
	Trans., Comm., Pub. Utilities Services	79	3,359,889	5.35	1,873	42,530
	Wholesale Trade	263	1,414,980	2.25	886	5,380
	Retail Trade	376	5,246,628	8.35	603	13,954
	Finance, Insurance and Real Estate	325	11,465,848	18.24	998	35,280
	Services	802	27,305,213	43.44	707	34,046
	<b>Total</b>	<b>2,648</b>	<b>\$62,856,322</b>	<b>100.00</b>	<b>\$922</b>	<b>\$23,737</b>

**Table 9: Profile of New York State Alternative Minimum Tax Credit by Size of Entire Net Income - 1997 Liability Year**

Credit Earned		Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Size of Entire Net Income						
Zero or Net Loss		1,155	\$3,307,459	42.90	\$465	\$2,864
\$	1 - \$ 99,999	2,087	1,921,269	24.92	314	921
	100,000 - 499,999	62	387,323	5.02	1,855	6,247
	500,000 - 999,999	d/	d/	d/	d/	d/
	1,000,000 - 24,999,999	49	734,635	9.53	5,560	14,993
	25,000,000 - 49,999,999	0	0	0.00	0	0
	50,000,000 - 99,999,999	0	0	0.00	0	0
	100,000,000 - 499,999,999	d/	d/	d/	d/	d/
	500,000,000 - and over	0	0	0.00	0	0
Total		3,380	\$7,708,926	100.00	\$379	\$2,281

Credit Claimed		Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Size of Entire Net Income						
Zero or Net Loss		1,084	\$15,889,594	22.33	\$827	\$14,658
\$	1 - \$ 99,999	1,508	27,549,951	38.71	767	18,269
	100,000 - 499,999	218	2,602,464	3.66	3,123	11,938
	500,000 - 999,999	59	997,313	1.40	6,594	16,904
	1,000,000 - 24,999,999	111	11,525,319	16.19	18,985	103,832
	25,000,000 - 49,999,999	14	2,525,709	3.55	32,218	180,408
	50,000,000 - 99,999,999	9	606,531	0.85	11,400	67,392
	100,000,000 - 499,999,999	12	573,733	0.81	6,207	47,811
	500,000,000 - and over	5	8,897,419	12.50	491,204	1,779,484
Total		3,020	\$71,168,033	100.00	\$961	\$23,566

**Table 9: Profile of New York State Alternative Minimum Tax Credit by Size of Entire Net Income - 1997 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	0	\$0	0.00	\$0	\$0
	\$ 1 - \$ 99,999	566	414,224	4.98	448	732
	100,000 - 499,999	134	478,275	5.75	2,120	3,569
	500,000 - 999,999	37	310,851	3.74	4,161	8,401
	1,000,000 - 24,999,999	71	2,603,957	31.33	6,457	36,675
	25,000,000 - 49,999,999	8	1,018,596	12.25	53,097	127,325
	50,000,000 - 99,999,999	9	185,730	2.23	7,775	20,637
	100,000,000 - 499,999,999	9	264,324	3.18	18,898	29,369
	500,000,000 - and over	4	3,035,754	36.52	285,189	758,939
	Total	838	\$8,311,711	100.00	\$688	\$9,919

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	1,084	\$15,889,594	25.28	\$827	\$14,658
	\$ 1 - \$ 99,999	1,272	27,135,727	43.17	751	21,333
	100,000 - 499,999	143	2,124,189	3.38	3,282	14,854
	500,000 - 999,999	44	686,462	1.09	5,127	15,601
	1,000,000 - 24,999,999	86	8,921,362	14.19	18,433	103,737
	25,000,000 - 49,999,999	8	1,507,113	2.40	19,531	188,389
	50,000,000 - 99,999,999	3	420,801	0.67	d/	140,267
	100,000,000 - 499,999,999	4	309,409	0.49	6,207	77,352
	500,000,000 - and over	4	5,861,665	9.33	210,842	1,465,416
	Total	2,648	\$62,856,322	100.00	\$922	\$23,737

**Table 10: Profile of New York State Alternative Minimum Tax Credit by Size of Credit Used - 1997 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		3,380	\$7,708,926	100.00	\$379

  

Credit Claimed	Size of Credit Used	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
	Negative		0	\$0	0.00	\$0
Zero		2,183	23,498,572	33.02	862	10,764
\$ 1 - \$ 499	499	351	23,419,266	32.91	402	66,722
500 - 999	999	150	333,063	0.47	953	2,220
1,000 - 4,999	4,999	218	1,708,414	2.40	3,252	7,837
5,000 - 9,999	9,999	46	1,698,532	2.39	11,727	36,925
10,000 - 24,999	24,999	34	1,580,224	2.22	20,819	46,477
25,000 - 49,999	49,999	16	1,287,886	1.81	41,392	80,493
50,000 - 99,999	99,999	7	847,752	1.19	92,230	121,107
100,000 - 499,999	499,999	12	12,748,785	17.91	435,267	1,062,399
500,000 - and over	and over	3	4,045,539	5.68	d/	1,348,513
Total		3,020	\$71,168,033	100.00	\$961	\$23,566

**Table 10: Profile of New York State Alternative Minimum Tax Credit by Size of Credit Used - 1997 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	0	\$0	0.00	\$0	\$0
	Zero	0	0	0.00	0	0
	\$ 1 - \$ 499	352	78,287	0.94	213	222
	500 - 999	150	108,479	1.31	703	723
	1,000 - 4,999	218	477,535	5.75	1,867	2,191
	5,000 - 9,999	46	315,395	3.79	6,978	6,856
	10,000 - 24,999	34	518,783	6.24	14,168	15,258
	25,000 - 49,999	16	569,536	6.85	35,465	35,596
	50,000 - 99,999	7	470,638	5.66	66,138	67,234
	100,000 - 499,999	12	2,380,662	28.64	181,330	198,389
	500,000 - and over	3	3,392,396	40.81	d/	1,130,799
	Total	838	\$8,311,711	100.00	\$688	\$9,919

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	d/	d/	d/	d/	d/
	Zero	2,183	\$23,498,572	37.38	\$862	\$10,764
	\$ 1 - \$ 499	191	23,340,979	37.13	576	122,204
	500 - 999	86	224,584	0.36	911	2,611
	1,000 - 4,999	113	1,230,879	1.96	3,180	10,893
	5,000 - 9,999	29	1,383,137	2.20	10,786	47,694
	10,000 - 24,999	19	1,061,441	1.69	18,130	55,865
	25,000 - 49,999	10	718,350	1.14	35,271	71,835
	50,000 - 99,999	6	377,114	0.60	42,158	62,852
	100,000 - 499,999	9	10,368,123	16.49	298,553	1,152,014
	500,000 - and over	d/	d/	d/	d/	d/
	Total	2,648	\$62,856,322	100.00	\$922	\$23,737

**Table 11: Profile of New York State EDZ Wage Credit by Basis of Taxation - 1997 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	41	\$465,428	11.14	\$6,188	\$11,352
	Fixed Dollar Minimum Tax	24	1,135,918	27.20	9,469	47,330
	Capital Base	4	453,375	10.85	4,500	113,344
	Alternative Minimum Tax	62	2,122,140	50.81	12,657	34,228
	<b>Total</b>	<b>131</b>	<b>\$4,176,861</b>	<b>100.00</b>	<b>\$9,750</b>	<b>\$31,884</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	47	\$1,090,234	12.49	\$8,250	\$23,196
	Fixed Dollar Minimum Tax	32	2,287,528	26.21	14,226	71,485
	Capital Base	5	819,406	9.39	6,903	163,881
	Alternative Minimum Tax	70	4,530,840	51.91	22,008	64,726
	<b>Total</b>	<b>154</b>	<b>\$8,728,008</b>	<b>100.00</b>	<b>\$13,044</b>	<b>\$56,675</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	47	\$461,462	24.49	\$3,884	\$9,818
	Fixed Dollar Minimum Tax	14	58,515	3.11	775	4,180
	Capital Base	5	5,640	0.30	727	1,128
	Alternative Minimum Tax	58	1,358,584	72.10	4,511	23,424
	<b>Total</b>	<b>124</b>	<b>\$1,884,201</b>	<b>100.00</b>	<b>\$3,527</b>	<b>\$15,195</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	29	\$623,108	9.83	\$6,347	\$21,486
	Fixed Dollar Minimum Tax	31	1,991,006	31.42	11,421	64,226
	Capital Base	4	593,105	9.36	89,812	148,276
	Alternative Minimum Tax	55	3,129,839	49.39	20,867	56,906
	<b>Total</b>	<b>119</b>	<b>\$6,337,058</b>	<b>100.00</b>	<b>\$12,540</b>	<b>\$53,253</b>

**Table 12: Profile of New York State EDZ Investment Credit by Basis of Taxation - 1997 Liability Year**

Credit Earned	Credit Earned					
	Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
	Entire Net Income	d/	d/	d/	d/	d/
	Fixed Dollar Minimum Tax	28	\$5,085,482	18.14	\$18,704	\$181,624
	Capital Base	d/	d/	d/	d/	d/
	Alternative Minimum Tax	77	19,719,456	70.33	35,094	256,097
	<b>Total</b>	<b>124</b>	<b>\$28,038,177</b>	<b>100.00</b>	<b>\$21,344</b>	<b>\$226,114</b>

Credit Claimed	Credit Claimed					
	Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
	Entire Net Income	d/	d/	d/	d/	d/
	Fixed Dollar Minimum Tax	35	\$14,205,232	24.08	\$43,660	\$405,864
	Capital Base	d/	d/	d/	d/	d/
	Alternative Minimum Tax	83	37,092,168	62.87	54,414	446,894
	<b>Total</b>	<b>138</b>	<b>\$58,998,413</b>	<b>100.00</b>	<b>\$42,905</b>	<b>\$427,525</b>

Credit Used	Credit Used					
	Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
	Entire Net Income	19	\$2,072,896	51.56	\$9,884	\$109,100
	Fixed Dollar Minimum Tax	d/	d/	d/	d/	d/
	Capital Base	d/	d/	d/	d/	d/
	Alternative Minimum Tax	55	1,873,261	46.59	3,726	34,059
	<b>Total</b>	<b>86</b>	<b>\$4,020,423</b>	<b>100.00</b>	<b>\$4,315</b>	<b>\$46,749</b>

Credit Carried Forward	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	35	\$12,798,526	24.41	\$42,149	\$365,672
	Capital Base	d/	d/	d/	d/	d/
	Alternative Minimum Tax	79	34,013,873	64.86	54,414	430,555
	<b>Total</b>	<b>121</b>	<b>\$52,438,399</b>	<b>100.00</b>	<b>\$43,660</b>	<b>\$433,375</b>

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# Appendix A: Credit Provisions Effective for Tax Years Beginning Prior to January 1, 1998

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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.

Table 14 shows the rate history of the ITC beginning in 1969.

**Table 14: 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)

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>

The 1997-1998 budget extends the investment tax credit and employment incentive credit carryforward period from 10 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.

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

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

### 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.

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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 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).

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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.

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.

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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.

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>

- *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

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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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## Changes in 1997-98 State Budgets

The 1997-98 State Budget contained several new tax credits as well as a significant change to an existing credit provision.

- *Alternative Fuels Vehicle Credit*

This new law allows credit for electric vehicles, clean fuel vehicles using natural gas, methanol and other alternative fuels, and clean fuel refueling facility property. It also extends the sales and use tax exemptions for the incremental cost of an alternative fuel vehicle an additional five years and expands the exemptions to cover equipment installed at alternative vehicle refueling facilities.

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

The tax credits are available for property placed in service in taxable years beginning on or after January 1, 1998. The new sales tax exemptions took effect on March 1, 1998.

- *Credit of Employers Who Hire Persons with Disabilities*

A new tax credit is available to employers who employ individuals with certified disabilities and who are considered full time for at least 180 days or 400 hours. The credit equals 35 percent of the first \$6,000 of first year wages paid to a disabled employee (up to \$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 credit is effective for tax years beginning on

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or after January 1, 1998 with respect to workers who begin work on or after January 1, 1997. Unused credits are not refundable but may be carried forward indefinitely.

- *Investment Tax Carryover*

The new budget extends the investment tax credit carryforward from ten to 15 years. Any unused pre-1987 credits will be available until 2002 and post-1986 credits will have a 15-year carryforward.

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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: 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.

