



Instructions for Form DTF-602

Claim for EDZ Capital Tax Credit

General Information

Sections 210.20, 606(l), 1456(d) and 1511(h) allow an economic development zone (EDZ) capital tax credit to be applied against the taxes imposed by Articles 9-A, 22, 32, and 33. The Laws of 1993 amended sections 210.20, 606(l), 1456(d) and 1511(h) of the Tax Law effective for tax periods beginning on or after January 1, 1994. In addition to qualified investments in an EDZ capital corporation, the credit has been expanded to include contributions in the form of donations to an EDZ capital corporation, qualified investments in certain certified EDZ businesses and monetary contributions to EDZ community development projects.

The EDZ capital tax credit is equal to 25% of the sum of the following investments and contributions made during the taxable year that are certified by the Commissioner of Empire State Development:

- Qualified investments made in, or contributions in the form of donations made to, one or more economic development zone capital corporations established pursuant to section 964 of the General Municipal Law.
- Qualified investments in certain certified economic development zone businesses.
- Contributions of money to community development projects as defined in regulations promulgated by the Commissioner of Empire State Development.

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

Sections 210.20, 606(l), 1456(d) and 1511(h) impose three limitations on the capital tax credit, as follows:

- the credit and carryover of such credit may not reduce the tax imposed by Article 9-A to less than the higher of the tax on minimum taxable income or the fixed dollar minimum; the credit and carryover of such credit may not reduce the tax imposed by Articles 32 and 33 to less than the minimum tax of \$250; and the credit may not exceed the tax due under Article 22;
- the total amount of credit allowable to a taxpayer for all years may not exceed \$300,000, and the total credit allowed for each of the three categories of qualified investments and contributions may not exceed \$100,000 (see the instructions for line 18); and
- the credit and carryover of such credit may not exceed 50% of the tax imposed by section 209 of Article 9-A; section 601 of Article 22; section 1455 of Article 32; or sections 1501 and 1510 of Article 33, without regard to any credit.

This credit may not be deducted from the limitation on tax computed pursuant to section 1505 of Article 33.

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

Attachments Required

New York State Empire State Development issues Form Z10, *Eligibility to Apply for a Zone Capital Tax Credit*, to taxpayers. Form Z10 authorizes the taxpayer to receive an EDZ capital tax credit against the taxpayer's New York State personal income or franchise tax. Therefore, attach Form Z10 to Form DTF-602, *Claim for EDZ Capital Tax Credit*, when applying for the EDZ capital tax credit.

Line Instructions

Partners in a partnership, shareholders in an S corporation and beneficiaries of an estate or trust: complete Line A and Schedules D and E.

Corporations, fiduciaries and self-employed individuals: complete all schedules.

S corporations and partnerships: complete only Schedules A through C and F.

Fiduciaries, self-employed individuals, S corporations and partnerships: combine the amounts on lines 5, 9, and 13 and transfer the total to Form IT-201-ATT, line 46; Form IT-203-ATT, line 49; Form IT-204, line 28; or Form IT-205, line 10.

Line A

Partner — enter your share of the partnership's credit on Line A. Your share of the credit can be obtained from the partnership. Provide the name and identification number of the partnership.

Shareholder — enter your share of the S corporation's credit on Line A. Your share of the credit can be obtained from the S corporation. Provide the name and identification number of the S corporation.

Beneficiary — enter your share of the estate's or trust's credit on Line A. Your share of the credit can be obtained from the fiduciary. Provide the name and identification number of the estate or trust.

If you are claiming a credit from more than one partnership, S corporation or trust, combine all amounts on Line A and attach a list showing a breakdown of amounts and the name and identification number of each entity.

Schedule A — Investments in and Donations to EDZ Capital Corporations

Line 1 — Enter the total consideration paid for original issue stock purchased during the taxable year from one or more EDZ capital corporations established pursuant to section 964 of the General Municipal Law.

Line 2 — Enter the donations made during the taxable year to one or more EDZ capital corporations established pursuant to section 964 of the General Municipal Law.

Line 6 — Enter the total of original issue stock purchased and donations that are itemized in Schedule A. Submit supporting documentation from the capital corporation, indicating the name of the corporation, the dollar amount of the stock purchased and a statement that the stock is original issue or the dollar amount of donations and the date received.

Schedule B — Investments in Certified EDZ Businesses

Line 7 — Enter the amount of qualified investments made in certified EDZ businesses during the taxable year. A certified EDZ business is one certified pursuant to Article 18-B of the General Municipal Law that, during the 12-month period immediately preceding the month of the investment, employed full-time within the state an average of 250 or fewer individuals (excluding general executive officers). The average number of individuals is computed pursuant to section 210.19(b)(3), or section 606(k)(2)(C), or section 1456(e)(2)(C), or section 1511(g)(2)(C) of the Tax Law.

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

Line 10 — Enter the total amount of qualified investments made in certified EDZ businesses that are itemized in Schedule B. Submit

supporting documentation from the certified EDZ business, indicating the name of the business and the dollar amount of the qualified investment.

Schedule C — Monetary Contributions to EDZ Community Development Projects

Line 11 — Enter the amount of monetary contributions made to EDZ community development projects. *Community development projects* will be defined in regulations promulgated by the Commissioner of Empire State Development.

Line 14 — Enter the total amount of monetary contributions made to EDZ community development projects. Submit supporting documentation indicating the name(s) and community development project(s) and the amount of the monetary contributions.

Schedule D — Limitations of EDZ Capital Tax Credit

Line 15 — Enter the tax from either Form CT-3, line 78; Form CT-3-A, line 77; Form CT-32, line 5; Form CT-32-A, Schedule A, line 5; Form CT-33, line 11; or Form CT-33-A, line 16. Article 33 taxpayers: if line 11 of Form CT-33 or line 16 of Form CT-33-A is the limitation on tax computed pursuant to section 1505, do not complete Part I. Filers of Form IT-201: enter the total of your tax from line 36 and Form IT-230-I, Worksheet A, line 1, reduced by any household credit, resident credit and accumulation distribution credit. Filers of Form IT-203: enter the total of your tax from line 44 and Form IT-203-ATT, line 15, reduced by any resident credit and accumulation distribution credit. Resident filers of Form IT-205: enter the tax from line 8, reduced by any resident credit or accumulation distribution credit. Nonresident or part-year resident filers of Form IT-205: enter the tax from line 9, reduced by any resident credit or accumulation distribution credit.

Line 16 — Enter 50% of the amount on line 15. If this amount is less than the higher of the tax on minimum taxable income or the fixed dollar minimum for purposes of Article 9-A, or is less than the minimum tax of \$250 for purposes of Article 32 or Article 33, limit the amount included on this line to an amount that would reduce line 15 to the minimum amount of tax due (see the first limitation under *General Information* on the front page). This limitation does not apply to the personal income tax (Article 22).

If a husband or wife is required to file a separate return, the credit is limited to 25% of the tax on line 15 unless the taxpayer's spouse has no credit allowable for the tax year that ends with or within the taxpayer's tax year.

For estates or trusts, the credit is limited to the line 15 amount multiplied by one-half of the percentage determined by dividing unallocated estate or trust income by total estate or trust income. In addition, for purposes of personal income tax, if the credit and carryovers of the credit allowable for any tax year exceed the taxpayer's tax for the tax year, the excess and the amount disallowed because of the 25% or 50% limitation may be carried over to the following year or years and may be deducted from the taxpayer's tax for that year or years.

Line 18 — The total amount of credit allowable to a taxpayer for all years may not exceed \$300,000, and the total credit allowed in each of the three categories may not exceed \$100,000. However, if a husband or wife is required to file a separate return, the \$100,000 limitation is reduced to \$50,000 and the \$300,000 limitation is reduced to \$150,000, unless the taxpayer's spouse has no credit allowable for the tax year that ends with or within the taxpayer's tax year.

For an estate or trust, the \$100,000 limitation and the \$300,000 limitation of the credit is reduced to an amount that bears the same ratio to \$100,000 and an amount that bears the same ratio to \$300,000 as the portion of the income of the estate or trust that is not allocated to beneficiaries bears to the total income of the estate or trust.

Line 19 — Enter the EDZ capital tax credit that was allowed in previous tax years, less any recaptured credit.

Line 20 — Subtract line 19 from line 17, or, if it applies, from line 18. The result represents the amount of credit that may still be claimed in each of the categories.

Line 21 — If you are a partner in a partnership, a shareholder in a New York State S corporation or a beneficiary of an estate or trust, enter the amount from Line A, line 16 or line 20, whichever is smallest.

All others: for column A, enter the amount from Schedule A, line 5 or Schedule D, column A, line 20, whichever is smaller.

For column B, enter the amount from Schedule B, line 9 or Schedule D, column B, line 20, whichever is smaller.

For column C, enter the amount from Schedule C, line 13 or Schedule D, column C, line 20, whichever is smaller.

Line 22 — Enter the tax from either Form CT-3, line 78; Form CT-3-A, line 77; Form CT-32, line 5; Form CT-32-A, Schedule A, line 5; Form CT-33, line 11 or Form CT-33-A, line 16. Article 33 taxpayers: if line 11 of Form CT-33 or line 16 of Form CT-33-A is the limitation on tax computed pursuant to section 1505, do not complete Part III.

Line 23 — If you are claiming more than one credit for this taxable year, enter the amount of the credit(s) claimed, before applying the EDZ capital tax credit. Otherwise, enter "0" on line 23.

Order of credits — You must apply certain credits before the EDZ capital tax credit. Refer to the instructions of your franchise tax return to determine the order of credits.

Schedule E — Computation of EDZ Capital Tax Credit and Carryover

Line 30 — S corporation shareholders, partners in a partnership, and beneficiaries of an estate or trust: enter your share of the S corporation's, partnership's, or estate's or trust's recaptured credit. Your share of the credit can be obtained from the S corporation, the partnership, or the estate or trust. Provide the name and identification number of the S corporation, the partnership, or the estate or trust.

Line 31 — If line 30 is greater than line 29, subtract line 29 from line 30. This is your net EDZ Capital Tax Credit recapture. Personal income tax filers enter the amount here and on Form IT-201-ATT, line 19; or Form IT-203, line 19. Corporate taxpayers enter the amount here and on Form CT-3, line 78; or Form CT-3-A, line 77.

Line 33 — Subtract line 32 from line 31 to arrive at your EDZ capital tax credit to be carried forward to future years. You will need to refer to this figure when completing your 1999 Form DTF-602.

Schedule F — Recapture of EDZ Capital Tax Credit

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

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

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

Line 34 — Add column D amounts. Enter the total recaptured credit. Corporations, fiduciaries and individuals: enter the amount on line 30. S corporations and partnerships: provide shareholders or partners with their share of the recaptured credit. S corporations include the amount from line 34, column D on Form CT-34-SH, line 17. Partnerships enter the amount from line 34, column D on Form IT-204, line 31. Estates and trusts enter the amount from line 34, column D on Form IT-205, line 12.