



# Instructions for Form DTF-601.1

## Claim for ZEA Wage Tax Credit

# DTF-601.1-I

## General information

### New for 2000

The New York State Empire Zones Program Act made changes to the Economic Development Zones Program. The Act, for example, changed the term *economic development zone* to *empire zone*. As a result, all previous references to *economic development zone* in these instructions have been changed to *empire zone* and all previous references to *EDZ* have been changed to *EZ*.

Chapter 115 of the Laws of 1999 extended the availability of the zone equivalent area (ZEA) wage tax credit to 10 years following the date of designation as a ZEA, effective for tax years on or after January 1, 1999. Previously the ZEA wage tax credit was available for 5 years following the date of designation as a ZEA.

In order to claim the ZEA wage tax credit, a taxpayer must be certified under Article 18-B of the General Municipal Law as eligible to receive the credit. A copy of the certification must be attached to Form DTF-601.1 each year the credit (or carryforward of the credit) is being claimed. For information on certification, call Empire State Development at (518) 292-5240.

The ZEA wage tax credit is allowed for up to two consecutive tax years, beginning in the first tax year in which all three eligibility requirements in Schedule A are met.

### Note for tax planning:

For tax years beginning on or after January 1, 2001:

- the ZEA wage tax credit has been extended from a two-consecutive-year tax credit to a five-consecutive-year tax credit; and
- the ZEA wage tax credit for each targeted employee in Schedule B, Part I, has been increased to \$3,000; and
- the ZEA wage tax credit for each employee in Schedule B, Part II, has been increased to \$1,500.

For tax years beginning on or after January 1, 2001, the ZEA wage tax credit will be allowed for up to five consecutive tax years, beginning in the first tax year in which all three eligibility requirements in Schedule A are met. A taxpayer who first claimed the ZEA wage tax credit for the calendar year 1997 will be eligible to claim the ZEA wage tax credit for the calendar year 2001 (see *Example* below).

### Example:

*Corporation A is a calendar-year taxpayer certified under Article 18-B of the General Municipal Law as eligible to receive the ZEA wage tax credit. The corporation met all three eligibility requirements in Schedule A and first became eligible to claim the ZEA wage tax credit for the calendar tax year 1997. Corporation A would be eligible to claim the ZEA wage tax credit for five consecutive tax years as follows:*

- *first tax year 1997;*
- *second tax year 1998;*
- *third tax year 1999 (the corporation is not eligible to claim the ZEA wage tax credit, except for a ZEA wage tax credit available as a carryforward);*
- *fourth tax year 2000 (the corporation is not eligible to claim the ZEA wage tax credit, except for a ZEA wage tax credit available as a carryforward);*
- *fifth tax year 2001.*

*Note that the ZEA wage tax credit cannot be claimed for the calendar years 1999 and 2000 but counts as part of the five consecutive tax years. After the fifth consecutive tax year 2001, the corporation would no longer be eligible to claim the ZEA wage tax credit on Form DTF-601.1, except for a ZEA wage tax credit available as a carryforward.*

## Schedule A — Eligibility requirements

The ZEA wage tax credit must be claimed in the first tax year in which **all three** of the following eligibility requirements are met:

- empire zone (EZ) wages are paid; **and**
- the average number of full-time employees in New York State for the current tax year (line 2) exceeds the average number of full-time employees in New York State during the four years immediately preceding the first tax year in which the ZEA wage tax credit is claimed (line 3); **and**
- the average number of full-time employees in the ZEA for the current year (line 4) exceeds the average number of full-time employees in the ZEA or area comprising the ZEA during the four years immediately preceding the first tax year in which the ZEA wage tax credit is claimed (line 5).

The average number of employees on line 3 and line 5, once computed, remains the same for each of the two tax years for which the credit is claimed.

## Schedule B — Computation of ZEA wage tax credit for the current tax year

If you meet the three eligibility requirements in Schedule A, compute the ZEA wage tax credit in Schedule B, Part I and Part II.

The ZEA wage tax credit in Part I is \$1,000 for the first tax year or \$500 for the second tax year, multiplied by the average number of qualified employees on line 6.

The ZEA wage tax credit in Part II is \$500 for the first tax year or \$250 for the second tax year, multiplied by the average number of qualified employees on line 9.

A ZEA wage tax credit cannot be computed in Schedule B for any tax year unless all three eligibility requirements in Schedule A are met for that tax year.

## Schedule C — Computation of the ZEA wage tax credit allowed for the current tax year

A taxpayer not allowed to compute a ZEA wage tax credit in Schedule B may claim any available ZEA wage tax credit carryforward from a preceding tax year in Schedule C. A ZEA wage tax credit carryforward in Schedule C is available until used.

The ZEA wage tax credit allowed in Schedule C (including any ZEA wage tax credit carryforward) is **limited to** the following:

- 50% of the tax imposed under section 209 of Article 9-A, General Business Corporations, before the addition of the MTA surcharge or the deduction of any tax credit; **or**
- 50% of the tax imposed under section 601 of Article 22, Personal Income Tax, before the allowance of any tax credits; **or**
- 50% of the tax imposed under section 1455 of Article 32, Banks, before the addition of the MTA surcharge or the deduction of any tax credit; **or**
- 50% of the sum of the taxes imposed under sections 1501 and 1510 of Article 33, Insurance Corporations, or 50% of the limitation on tax computed under section 1505 of Article 33 (whichever is less) before the addition of the MTA surcharge or the deduction of any tax credit.

In addition, the ZEA wage tax credit allowed in Schedule C (including any ZEA wage tax credit carryforward) **may not be** applied against the following taxes:

- the larger of the tax on minimum taxable income base or fixed dollar minimum tax as computed under Article 9-A; **or**
- the fixed minimum tax of \$250 computed under Article 32; **or**
- the minimum tax of \$250 under Article 33; **or**

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— the metropolitan transportation business tax (MTA surcharge) under Articles 9-A, 32 or 33.

Any portion of the ZEA wage tax credit disallowed in Schedule C as a result of the above limitations may be carried forward on subsequent tax returns.

The ZEA wage tax credit must be deducted after any tax credit that cannot be carried forward and before any tax credit that can be carried forward.

**Combined filers** — A taxpayer filing a combined return as a member of a combined group is allowed to claim a ZEA wage tax credit. The ZEA wage tax credit is computed on a separate basis in Schedules A and B and applied against the combined tax (see Schedule C, line 16).

### Definition of terms

A *zone equivalent area* (ZEA) is an area within New York State that has been designated as a ZEA pursuant to Article 18-B of the General Municipal Law, based on the following:

- a poverty rate of at least 20%; and
- an unemployment rate at least 1.25 times the statewide unemployment rate.

*Empire zone (EZ) wages* are wages paid by a certified taxpayer for full-time employment (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) during the tax year in an area designated or previously designated as a ZEA, if such employment is in a job created in the ZEA during the ten-year period immediately following the date of designation as a ZEA. Wages paid to an individual employed on or after the effective date a taxpayer's certification under Article 18-B of the General Municipal Law is revoked do not qualify as EZ wages. Wages paid to individuals employed before a ZEA is designated do not qualify as EZ wages.

*General executive officers* are the chairman, president, vice president, secretary, assistant secretary, treasurer, assistant treasurer, comptroller and any other officer charged with the general affairs of the corporation. A general executive officer is, therefore, an appointed or elected officer of the corporation having company-wide authority with respect to assigned functions or responsibility for an entire division of the company.

*Full-time employment* means a job consisting of at least 35 hours per week, or two or more jobs that together constitute the equivalent of a job of at least 35 hours per week. A seasonal job that meets these requirements constitutes full-time employment if the job is continuous for at least three months.

A *targeted employee* is a New York State resident who received EZ wages during the current tax year and who is **one or more** of the following:

- an eligible individual under the provisions of the Work Opportunity Credit (IRC section 51); **or**
- an individual eligible for benefits under the provisions of the Job Training Partnership Act (Public Law 97-300, as amended); **or**
- a recipient of public assistance benefits at any time during the previous two years; **or**
- an individual whose income is below the most recently established poverty rate promulgated by the U.S. Department of Commerce, Bureau of Census; **or**
- a member of a family whose family income is below the most recently established poverty rate promulgated by the U.S. Department of Commerce, Bureau of Census.

The Department of Labor (DOL) is required to provide a certificate verifying the targeted status of an individual for use by an employer seeking wage tax credits under the ZEA program. The Tax Department will only recognize Form ES 450, issued by the DOL, and signed by a DOL representative as proof of targeted status under the Wage Tax Credit program.

Any employee who qualified as a targeted employee at the time of initial employment will qualify as a targeted employee for subsequent years as long as he or she continues to receive EZ wages and remains a resident of New York State.

*Family* means a group of two or more persons (one of whom is the householder) related by birth, marriage or adoption and residing together; all such persons (including related subfamily members) are considered members of the same family.

### Schedule D — Computation of refundable ZEA wage tax credit

For taxable years beginning on or after January 1, 1994, an Article 9-A taxpayer qualifying as a new business under section 210.12(j) or an Article 22 taxpayer qualifying as the owner of a new business under section 606(a)(10) may elect to treat 50% of the ZEA wage tax credit available as a carryforward to following years as an overpayment to be refunded or credited.

### Revocation of Article 18-B certification

Once certification under Article 18-B of the General Municipal Law is revoked, any wages paid by the taxpayer on or after the effective date of such revocation will not constitute EZ wages.

*New business* under Article 9-A, section 210.12(j), means any corporation **except**:

- a corporation in which over 50% of the number of shares of stock entitling their holders to vote for the election of directors or trustees is owned or controlled either directly or indirectly by a taxpayer subject to tax under Article 9-A; Article 9 section 183, 184, 185, or 186; Article 32; or Article 33 of the Tax Law; **or**
- a corporation that is substantially similar in operation and in ownership to a business entity taxable, or previously taxable, under Article 9-A; Article 9 section 183, 184, 185, or 186; Article 32; Article 33; or Article 23 of the Tax Law, or that would have been subject to tax under Article 23, as such article was in effect on January 1, 1980; **or** the income or losses of which are or were includable under Article 22 of the Tax Law, whereby the intent and purposes of section 210.19(e) with respect to refunding of credit to new businesses would be evaded; **or**
- a corporation that has been subject to tax under Article 9-A for more than four tax years (excluding short periods) before each tax year during which the taxpayer became eligible for the wage tax credit (that is, the year for which the credit is allowed).

*Owner of a new business* under Article 22, section 606(a)10, means an individual who is either a sole proprietor or a member of a partnership **unless**:

- the individual previously received a refund of a wage tax credit; **or**
- the business entity of which the individual is an owner is substantially similar in operation and in ownership to:
  - a business entity taxable or previously taxable under Article 9-A; Article 9 section 183, 184, 185, or 186; Article 32; or Article 33 of the Tax Law; **or**
  - a business entity that would have been subject to tax under Article 23 (as it was in effect on January 1, 1980); **or**
  - a business entity with income or losses that are or were includable under Article 22 if the intent and purpose of section 606(k)(5) with respect to refunding of credit to new business would be evaded; **or**
- the individual operated the new business entity for more than four years before the beginning of the tax year during which the individual first became eligible for the wage tax credit for which the refund is claimed.

An *owner of a new business* under Article 22 also includes a shareholder of a New York S corporation, unless:

- The shareholder previously received a refund of any new business tax credits as a New York S corporation shareholder.
- The S corporation is a corporation:
  - in which over 50% of the number of shares of stock entitling their holders to vote for the election of directors or trustees is owned or controlled either directly or indirectly by a taxpayer subject to tax under Article 9-A; Article 9, section 183, 184, 185, or 186; Article 32; or Article 33 of the Tax Law; **or**
  - that is substantially similar in operation and in ownership to a business entity taxable, or previously taxable, under Article 9-A, Article 9, section 183, 184, 185, or 186; Article 32; Article 33; or Article 23 (the New York State unincorporated business tax as it was in effect on January 1, 1980); or that has income or losses that are or were includable under Article 22 of the Tax Law, whereby the intent and purposes of section 210.19(e) with respect to refunding of credit to new businesses would be evaded.
- The S corporation has been in operation for more than four years before the beginning of the tax year in which the S corporation shareholder first became eligible for the wage tax credit.

## Line instructions

Partners in a partnership, shareholders in a New York S corporation and beneficiaries of an estate or trust: complete Line A, Schedule C, and, if applicable, Schedule D.

Corporations, fiduciaries and individuals: complete all applicable schedules. However, fiduciaries and individuals should not complete Schedule D unless they elect to claim the refund for new businesses. For the definition of a *new business*, see page 2.

New York S corporations and partnerships complete Schedule A and Schedule B.

### 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 New York S corporation's credit on Line A. Your share of the credit can be obtained from the New York S corporation. Provide the name and identification number of the New York S corporation.

**Beneficiary** — Enter your share of the estate or trust 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, New York 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 — Part I

**Line 1**— Check the *Yes* box if EZ wages were paid by the taxpayer during the current tax year.

Check the *No* box if EZ wages were not paid during the current tax year. The taxpayer will **not** qualify to compute the ZEA wage tax credit in Schedule B for the current tax year. However, the taxpayer may claim as a ZEA wage tax credit for the current tax year any ZEA wage tax credit carryforward from a preceding tax year in Schedule C.

### Schedule A — Part II

**Line 2** — Enter for each date specified of the current tax year the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) in New York State. Add the number of these employees on each date for the current tax year and divide by the number of such dates occurring during the current tax year to obtain the average number of full-time employees for the current tax year.

If the taxpayer provided full-time employment for only part of the current tax year, then the current tax year will be deemed to refer to that part.

#### Example:

Current tax year	3/31	6/30	9/30	12/31	Total	
Number of full-time employees in New York State - 2000	0	100	125	175	400	
2. Average number of full-time employees in New York State for current tax year (400 divided by 4)					2	100

**Line 3** — Enter for each date specified of the four-year period immediately preceding the first tax year in which the ZEA wage tax credit is claimed (i.e., the four-year test period), the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32, and 33) in New York State. Add the number of full-time employees for the four-year test period and divide by the number of such dates occurring during the four-year test period to obtain the average number of full-time employees for the four-year test period.

If the taxpayer provided full-time employment in New York State for only part of the four years immediately preceding the first year in

which the ZEA wage tax credit is claimed, then the four-year period will be deemed to refer to that part.

If the taxpayer did not provide full-time employment in New York State in any of the four years immediately preceding the first year in which the ZEA wage tax credit is claimed, enter zero on line 3.

#### Example:

Number of full-time employees in New York State during four-year test period	3/31	6/30	9/30	12/31	Total	
1st year - 1999	100	100	100	100	400	
2nd year - 1998	50	75	75	100	300	
3rd year - 1997			40	50	90	
4th year - 1996						
Total number of full-time employees in New York State for four-year test period					790	
3. Average number of full-time employees in New York State for four-year test period						
Average number of full-time employees on line 2 must exceed average number of full-time employees on line 3					3	79*

\* If the taxpayer began providing full time employment in New York State on July 1, 1997, and had full time employees in New York State for the dates September 30, 1997, through December 31, 1999, the taxpayer would make no entries for the dates prior to July 1, 1997. Thus, the taxpayer would divide 790 by 10 to obtain 79.

The average number of full-time employees in New York State for the current tax year (line 2) must exceed the average number of full-time employees in New York State for the four-year test period (line 3). If line 2 does not exceed line 3, the taxpayer will **not** qualify to compute the ZEA wage tax credit in Schedule B for the current tax year. However, the taxpayer may claim as a ZEA wage tax credit for the current tax year any ZEA wage tax credit carryforward from a preceding tax year in Schedule C.

### Schedule A — Part III

**Line 4** — Enter for each date specified of the current tax year the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32, and 33) in the ZEA. Compute the average number of full-time employees for the current tax year in the same manner as line 2.

**Line 5** — Enter for each date specified of the four-year period immediately preceding the first tax year in which the ZEA wage tax credit is claimed (i.e., the four-year test period), the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32, and 33) in the area that currently constitutes the ZEA. Compute the average number of such employees for the four-year test period in the same manner as line 3.

The average number of full-time employees in the ZEA for the current tax year (line 4) must exceed the average number of full-time employees in the area that currently constitutes the ZEA for the four-year test period (line 5). If line 4 does not exceed line 5, the taxpayer will **not** qualify to compute the ZEA wage tax credit in Schedule B for the current tax year. However, the taxpayer may claim as a ZEA wage tax credit for the current tax year any ZEA wage tax credit carryforward from a preceding tax year in Schedule C.

## Schedule B — Computation of ZEA wage tax credit for the current tax year

### Part I — Computation of ZEA wage tax credit

**Line 6** — Enter for each date specified of the current tax year the number of qualified employees (excluding general executive officers for taxpayers under Articles 9-A, 32, and 33) who meet all three of the following requirements:

- were targeted employees; and
- received EZ wages for more than half of the current tax year (see *Example* on page 4); and
- received an hourly wage that is at least 135% of the minimum wage specified in section 652 of the Labor Law for more than half of the employee's period of employment during the current tax year.

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Add the number of qualified employees for the current tax year and divide by the number of such dates (include "0" dates) occurring during the current tax year to obtain the average number of qualified employees for the current tax year (see the example at line 2 instructions).

**Example:**

*On March 1, 2000, a calendar-year taxpayer, located in a ZEA, applies for certification under Article 18-B of the General Municipal Law. The taxpayer is notified that such certification is effective September 1, 2000. For purposes of the ZEA wage tax credit, the taxpayer is deemed to have been certified as of January 1, 2000, the first day of the taxpayer's taxable year in which the taxpayer applied for certification. The taxpayer files a tax return for the tax year January 1, 2000 - December 31, 2000. Assuming the taxpayer met the eligibility requirements on Schedule A, the taxpayer would include in Schedule B, Part I, line 6, and Part II, line 9, any qualified employees who received EZ wages for more than six months of the tax year January 1, 2000 - December 31, 2000. If the taxpayer filed a tax return for the short tax year September 1, 2000 - December 31, 2000, the taxpayer would include in Schedule B, Part I, line 6, and Part II, line 9, any qualified employees who received EZ wages for more than two months of the tax year September 1, 2000 - December 31, 2000.*

**Line 7** — If you are claiming the ZEA wage tax credit for the first tax year, enter \$1,000 on line 7. If you are claiming the ZEA wage tax credit for the second tax year, enter \$500 on line 7.

**Part II — Computation of ZEA wage tax credit for employees not included in Part I**

**Line 9** — Enter for each date specified of the current tax year the number of qualified employees (excluding general executive officers for taxpayers under Articles 9-A, 32, and 33) who meet both of the following requirements:

- were not included in Schedule B, Part I, line 6; and
- received EZ wages for more than half of the current tax year (see *Example* at line 6 instructions above).

Add the number of qualified employees for the current tax year and divide by the number of such dates (include "0" dates) occurring during the current tax year to obtain the average number of qualified employees for the current tax year (see the example at line 2 instructions).

**Line 10** — If you are claiming the ZEA wage tax credit for the first tax year, enter \$500 on line 10. If you are claiming the ZEA wage tax credit for the second tax year, enter \$250 on line 10.

If you computed a ZEA wage tax credit on line 12, you must complete the additional information requested in Parts IV and V of Schedule B.

**Line 12** — Corporations and individuals enter the amount from line 12 on line 14.

Partnerships transfer the line 12 amount to Form IT-204, line 25. New York S corporations transfer the line 12 amount to Form CT-34-SH, line 14.

Estates and trusts must allocate or assign the credit to itself and its beneficiaries in the same manner that the income of the estate or trust is allocated. An estate or trust should enter only its share of the line 12 amount on line 14.

**Schedule C — Computation of the ZEA wage tax credit allowed for the current tax year**

**Line 13** — Enter the amount of the ZEA wage tax credit carryforward from the tax year immediately preceding the current tax year.

**Line 14** — Enter the ZEA wage tax credit computed for the current tax year as shown on line 12. Enter "0" if you did not compute a ZEA wage tax credit on Schedule B for the current tax year. Corporations and individuals: enter the ZEA wage tax credit

computed for the current tax year as shown on line 12. Enter "0" if you did not compute a ZEA wage tax credit on Schedule B for the current tax year.

Partner in a partnership, New York S corporation shareholder or a beneficiary of an estate or trust: enter the ZEA wage tax credit as shown on line A.

**Line 16** — Enter the current year's tax after the addition of the tax on subsidiary capital and before the deduction of any tax credit or addition of the MTA surcharge. The ZEA wage tax credit cannot be applied against the MTA surcharge. Article 9-A taxpayers: enter tax shown on Form CT-3, line 78 or Form CT-3-A, line 77.

Article 22 taxpayers: enter the tax shown on Form IT-201, line 36, **and** Form IT-230-I, Worksheet A, line 1; or Form IT-203, line 44 and Form IT-203-B, line 1; or Form IT-205, line 8 if a resident, or line 9 if a nonresident or part-year resident.

Article 32 taxpayers: enter tax shown on Form CT-32, line 5 or Form CT-32-A, Schedule A, line 5.

Article 33 taxpayers: enter tax shown on Form CT-33, line 11, or Form CT-33-A, line 12 or line 16, whichever is less.

**Line 18** — Enter the tax limitation to which the ZEA wage tax credit cannot be applied.

**Line 20** — Enter the ZEA wage tax credit limitation for the current tax year, which is the lesser of line 17 or line 19. Example: If line 17 is \$4,500 and line 19 is \$3,000, enter \$3,000 on line 20.

**Line 21** — If you are not completing Schedule D, then Article 9-A taxpayers: transfer the line 21 amount to Form CT-3, line 100; or Form CT-3-A, line 101.

Article 22 taxpayers: transfer the line 21 amount to Form IT-201-ATT, line 47; Form IT-203-B, line 35; or Form IT-205, line 10.

Article 32 taxpayers: transfer the line 21 amount to Form CT-32, line 6 or Form CT-32-A, Schedule A, line 6.

Article 33 taxpayers: transfer the line 21 amount to Form CT-33, line 12; or Form CT-33-A, line 17.

**Line 22** — Subtract line 21 from line 15 to arrive at the unused ZEA wage tax credit available to be carried forward to future years. You will need to refer to this figure when completing your year 2001 Form DTF-601.1. Any portion of the ZEA wage tax credit (including any wage tax credit carryforward from a preceding tax year) that is disallowed in the current tax year as a result of the limitations may be carried forward. If line 21 is larger than line 15 enter "0."

**Schedule D — Computation of refundable ZEA wage tax credit**

**Line 23** — Certain taxpayers may elect to treat a portion of the current year's ZEA wage tax credit available as a carryforward as an overpayment of tax to be refunded. The election applies to a ZEA wage tax credit computed for a current tax year beginning on or after January 1, 1994.

The election may be made by **either**:

- an Article 9-A taxpayer qualifying as a new business under section 210.12(j), **or**
- an Article 22 taxpayer qualifying as the owner of a new business under section 606(a)10.

Once made, the election may not be revoked. Interest will not be paid on any overpayment of tax refunded on line 25.

**Line 25** — Article 9-A taxpayers: enter the ZEA refundable wage tax credit on Form CT-3, line 99; or Form CT-3-A, line 100.

Article 22 taxpayers: enter the refundable ZEA wage tax credit on Form IT-201-ATT, line 65; Form IT-203-B, line 52; or Form IT-205, line 33.

Taxpayers not eligible for the refundable ZEA wage tax credit: enter "0" on line 25.