



# Instructions for Form CT-604-CP

## Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit for Corporate Partners

# CT-604-CP-1

### Temporary deferral of certain tax credits

For tax years beginning on or after January 1, 2010, and before January 1, 2013, if the total amount of certain credits that you may use to reduce your tax or have refunded to you is greater than \$2 million, the excess over \$2 million must be deferred to, and used or refunded in, tax years beginning on or after January 1, 2013. For more information about the credit deferral, see Form CT-500, *Corporation Tax Credit Deferral*.

If you are subject to the credit deferral, you must complete all credit forms without regard to the deferral. However, the credit amount that is transferred to your tax return to be applied against your tax due or to be refunded to you may be reduced. Follow the instructions for Form CT-500 to determine the amounts to enter on your tax return.

### Expiration of Empire Zones Program

The New York State Empire Zones Program expired as of July 1, 2010. A business enterprise that was certified pursuant to Article 18-B of the General Municipal Law as of June 30, 2010, will be deemed certified under Article 18-B for purposes of the qualified empire zone enterprise (QEZE) real property tax credit and QEZE tax reduction credit for the remainder of its business tax benefit period and it may continue to claim the credit so long as it meets the requirements of the statute. However, any business that was required to obtain an empire zone (EZ) retention certificate but was denied one will not be eligible for the QEZE real property tax credit and QEZE tax reduction credit.

### General information

For tax years beginning on or after January 1, 2001, the Empire Zones Program Act provides tax credits for a qualified empire zone enterprise (QEZE): the QEZE credit for real property taxes and the QEZE tax reduction credit. The QEZE real property tax credit is allowed against the New York State corporate franchise tax under Article 9, section 185; 9-A; 32; or 33. The QEZE tax reduction credit is allowed against the New York State corporate franchise tax under Article 9-A, 32, or 33.

This form has been provided for **corporate partners** of a QEZE to claim the QEZE tax credits. All other corporations should complete Form CT-604, *Claim for QEZE Tax Reduction Credit*, or Form CT-606, *Claim for QEZE Credit for Real Property Taxes*.

New York S corporations that are corporate partners **do not** complete this form. Instead, the S corporation must use Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule*, to report the real property tax credit flowed through from the partnership to the S corporation. Report the benefit period factor, the employment increase factor, and the zone allocation factor of the partnership on Form CT-34-SH (see Form CT-34-SH-1, *Instructions for Form CT-34-SH*). Each individual shareholder can then compute the tax reduction credit on Form IT-604, *Claim for QEZE Tax Reduction Credit*, for personal income taxpayers.

**Note:** If you are a partner in more than one partnership, complete a separate Form CT-604-CP for each partnership(s). Attach a copy of the retention certificate(s) received from your partnerships to the corresponding separate Form CT-604-CP filed.

### QEZE credit for real property taxes

The QEZE credit for real property taxes is computed on eligible real property taxes paid or incurred on real property owned by the QEZE that is located in the empire zone (EZ) in which the QEZE is certified. The QEZE partnership will calculate the credit and provide partners with their pro rata share of the credit. Corporate partners will report their share of the credit on Form CT-604-CP.

If the QEZE's eligible real property taxes, which were the basis for a QEZE credit for real property taxes, are subsequently reduced as a result of a final order in any proceeding under the Real Property Tax Law, Article 7 or other provision of law, the QEZE must recapture a portion of the credit allowed in the year the final order is issued. The recapture will be computed by the QEZE partnership. The

corporate partner will report its share of the credit after recapture on Form CT-604-CP, line 1.

The QEZE credit for real property taxes may not reduce the tax to less than

- \$10 for Article 9, section 185 filers,
- the larger of the tax on minimum taxable income (MTI) or the fixed dollar minimum tax as computed under Article 9-A, **or**
- \$250 for Article 32 or 33 filers.

Any amount of the QEZE credit for real property taxes not deductible in the current tax year may be refunded without interest or applied as an overpayment against the tax liability for the next tax year.

### QEZE tax reduction credit

The QEZE tax reduction credit is the product of (1) the benefit period factor, (2) the employment increase factor, (3) the zone allocation factor, and (4) the tax factor.

The QEZE tax reduction credit may not reduce the tax to less than

- the fixed dollar minimum tax under Article 9-A (however, a partner in a QEZE that has a zone allocation factor of 100% is not subject to this limitation and may reduce the tax to zero); **or**
- \$250 for Article 32 or 33 filers.

The QEZE tax reduction credit is not refundable. Any amount not deductible in the current tax year may not be refunded, carried over, or applied as an overpayment against next year's tax.

### Definitions

For additional definitions, see Form CT-604-I, *Instructions for Form CT-604*, or CT-606-I, *Instructions for Form CT-606*.

A *qualified empire zone enterprise (QEZE)* is a business enterprise that is certified as eligible to receive benefits under the General Municipal Law, Article 18-B prior to July 1, 2010, and that annually meets the employment test.

*Employment increase factor* is an amount that cannot exceed 1.0. Obtain this factor from the partnership.

*Benefit period factor* is a number from zero to 1.0, based on the tax year of the benefit period. Obtain this factor from the partnership.

*Zone allocation factor* is a percentage that represents the economic presence of the partnership in the EZ in which it is certified. Obtain this factor from the partnership.

*Tax factor* is the tax calculated under each applicable article of the Tax Law that is based on income. If an article provides for two tax measures based on income, the higher of the two is the tax factor. Corporate partners compute this factor on line 14.

### Specific instructions

Enter on page 1 of Form CT-604-CP the name and the employer identification number of the QEZE partnership.

**Line 2** — Enter the amount from the following franchise tax returns, **plus** any net recaptured tax credits:

- Form CT-3, line 78
- Form CT-3-A, line 77
- Form CT-32, line 5
- Form CT-32-A, line 5
- Form CT-33, line 11
- Form CT-33-A, line 15
- Form CT-33-NL, line 5
- Form CT-185, line 6

**Line 3** — If you are applying multiple credits, refer to Form CT-600-I, *Instructions for Form CT-600*, or your franchise tax return instructions to determine the order of credits that applies. If filing Form CT-604 or CT-606, and/or more than one Form CT-604-CP, include any amount of QEZE credit for real property taxes and QEZE

tax reduction credit that you are claiming that you wish to apply before the QEZE credit for real property taxes being claimed on this form. Life insurance corporations do not include EZ wage tax credit, EZ capital tax credit, or zone equivalent area (ZEA) wage tax credit on this line.

If you are included in a combined return, include any amount of tax credit(s), including the QEZE credit for real property taxes, being claimed by other members of the combined group that you wish to apply before your QEZE credit for real property taxes. Life insurance corporations included in a combined return do not include any amount of EZ wage tax credit, EZ capital tax credit, or ZEA wage tax credit being claimed by other members of the combined group.

**Lines 7, 9, and 10** — On line 7, enter the lesser of line 1 or line 6.

If your total credits from all sources are **\$2 million or less**, enter the amounts from lines 7, 9, and 10 on your franchise tax return. Article 9-A, 32, or 33 filers use the box labeled *Form CT-606* in the summary of credits section of your franchise tax return.

If your total credits from all sources are **more than \$2 million**, you may be subject to the temporary credit deferral. Complete lines 7, 9, and 10 but do not enter the amounts from lines 7, 9, and 10 on your franchise tax return. See Form CT-500 to determine the proper amounts to enter on your franchise tax return.

**Line 14** — When calculating the tax factor for corporate partners, if the income from the QEZE partnership is zero, or a loss, the tax reduction credit for the corporate partner is zero.

**Line 14-A**

**Article 9-A filers** — Enter the larger of the tax on the entire net income (ENI) base or the tax on the minimum taxable income base from Form CT-3, *General Business Corporation Franchise Tax Return*. **Do not** enter your tax on capital or your fixed dollar minimum tax.

**Article 9-A combined filers** — Enter on line 14-A, the product of the following:

1. The amount of combined tax as computed on income (the larger of the tax on ENI or MTI base, as shown on Form CT-3-A, *General Business Corporation Combined Franchise Tax Return*); and
2. A ratio, the numerator of which is the amount of income attributable to the corporation that is the member of the QEZE partnership, allocated to New York State, and the denominator of which is the income of the combined group allocated to New York State. Combined groups that have members with net operating losses (NOLs) compute the ratio of QEZE income as described above without including losses in either the numerator or denominator.

If the corporate member of the combined group that is the member of the QEZE partnership has a NOL, the tax reduction credit is zero.

**Article 32 filers** — Enter the larger of the tax on the ENI base or the tax on the alternative ENI base from Form CT-32, *Banking Corporation Franchise Tax Return*.

**Article 33 Life insurance corporation filers** — Enter the larger of the tax on the ENI base or the ENI plus compensation base from Form CT-33, *Life Insurance Corporation Franchise Tax Return*.

**Article 33 Nonlife insurance corporation filers** — To claim the QEZE tax reduction credit, you must calculate a tax factor for the tax year by preparing a pro-forma tax return calculating a tax on income for the year the credit is claimed. Prepare Form CT-33 to calculate the tax on ENI and the tax on ENI plus compensation. Attach the pro-forma tax return to this form. Enter the larger of these tax amounts on line 14-A.

**Line 14-B** — Enter your pro rata share of New York **partnership** income derived from the QEZE partnership allocated to New York State. *Partnership income* means the partnership items of income, gain, loss and deduction, and the associated New York modifications included in

- ENI if the tax on line 14-A was computed on ENI; or
- MTI for Article 9-A, alternative ENI for Article 32, or ENI plus compensation for Article 33 if the tax on line 14-A was computed on one of these bases.

To allocate your pro rata share of the QEZE partnership income to New York State use Worksheet A:

<b>Worksheet A</b>	
a. Enter your pro rata share of QEZE partnership income included in <b>business income before allocation</b> on your New York State corporation tax return .....	a. _____
b. Enter your business allocation percentage as calculated on your New York State corporation tax return .....	b. _____
c. Multiply line a by line b.....	c. _____
d. Enter your pro rata share of QEZE partnership income included in <b>investment income before allocation</b> on your New York State corporation tax return .....	d. _____
e. Enter your investment allocation percentage as calculated on your New York State corporation tax return .....	e. _____
f. Multiply line d by line e.....	f. _____
g. Add line c and line f; enter here and on line 14-B .....	g. _____

**Line 14-C** — Enter your ENI allocated to New York State if the tax on line 14-A was computed on ENI. Enter your MTI for Article 9-A, alternative ENI for Article 32, or ENI plus compensation for Article 33 if the tax on line 14-A was computed on one of these bases.

**Line 16** — Enter the amount from the following franchise tax returns, plus any net recaptured tax credits:

- Form CT-3, line 78
- Form CT-3-A, line 77
- Form CT-32, line 5
- Form CT-32-A, line 5
- Form CT-33, line 11
- Form CT-33-A, line 15
- Form CT-33-NL, line 5
- Form CT-185, line 6

**Line 17** — If you are applying multiple credits, refer to Form CT-600-I or your tax return instructions to determine the order of credits that applies. If filing Form CT-604, and/or more than one Form CT-604-CP, include any amount of QEZE tax reduction credit that you are claiming that you wish to apply before the QEZE tax reduction credit being claimed on this form. Life insurance corporations do not include EZ wage tax credit, EZ capital tax credit, or ZEA wage tax credit on this line.

If you are included in a combined return, include any amount of tax credit(s), including the QEZE tax reduction credit, being claimed by other members of the combined group that you wish to apply before your QEZE tax reduction credit. Life insurance corporations included in a combined return do not include any amount of EZ wage tax credit, EZ capital tax credit, or ZEA wage tax credit being claimed by other members of the combined group.

**Line 21** — Enter the lesser of line 15 or line 20.

If your total credits from all sources are **\$2 million or less**, enter the amount from line 21 on your franchise tax return. Use the box labeled *Form CT-604* in the summary of credits section of your franchise tax return.

If your total credits from all sources are **more than \$2 million**, you may be subject to the temporary credit deferral. Complete line 21 but do not enter the amount from line 21 on your franchise tax return. See Form CT-500 to determine the proper amounts to enter on your franchise tax return.

**Need help? and Privacy notification**

See Form CT-1, *Supplement to Corporation Tax Instructions*.