



Instructions for Form IT-635

New York Youth Works Tax Credit

IT-635-I

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 IT-500, *Income 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 IT-500 to determine the amounts to enter on your tax return.

General information

The Tax Law provides a credit to taxpayers who are participants in the New York Youth Works Tax Credit Program. The New York youth works tax credit is available to taxpayers subject to tax under Articles 9-A and 22. Individuals (including sole proprietors), estates and trusts, shareholders of an S corporation, partners in a partnership (including a member of a limited liability company (LLC) that is treated as a partnership for federal tax purposes), and beneficiaries of an estate or trust may claim the credit on Form IT-635.

Eligibility

To be eligible for this credit, you must meet **all** of the following requirements:

- You or your business must be a participant or the owner of a participant in the New York Youth Works Tax Credit Program.
- You or your business must have received a *Certificate of Tax Credit* from the New York State (NYS) Department of Labor. Submit a copy of the certificate of tax credit with Form IT-635.
- You or your business must employ one or more certified youths. The certified youths must start their employment on or after January 1, 2012, but no later than December 31, 2012.

To participate in the New York Youth Works Tax Credit Program, an employer must submit an application to the Department of Labor after January 1, 2012, but no later than November 30, 2012.

For more information on becoming a participant in the program, see the Department of Labor's Web site (at www.labor.ny.gov).

Credit information

The credit is equal to \$500 per month for up to six months for each certified youth employed in a full-time job, and \$250 per month for up to six months for each certified youth employed in a part-time job of at least 20 hours per week. This portion of the credit is allowed for the tax year in which the wages are paid to the certified youth.

An additional credit of \$1,000 is available for each certified youth employed for at least an additional six months in a full-time job, or \$500 for each certified youth employed for at least an additional six months in a part-time job of at least 20 hours per week. The additional credit is allowed for the tax year in which the additional six-month period ends.

The NYS Department of Labor will provide you with a certificate of tax credit that will show the maximum amount of tax credit you are eligible for and a list of the youths who are eligible. Use the information provided by them to complete this form.

Any unused amount of credit for the current tax year will be treated as a refund or overpayment of tax to be credited to next year's tax. Interest will not be paid on the refund or overpayment.

Who must file

File Form IT-635 if you are an individual, a beneficiary or fiduciary of an estate or trust, a partner in a partnership, or a shareholder of an S corporation, and you are claiming the New York youth works tax credit.

An estate or trust that divides the credit among itself and its beneficiaries must file Form IT-635 with Form IT-205, *Fiduciary Income Tax Return*, showing each beneficiary's share of the credit.

A partnership must file Form IT-635 with Form IT-204, *Partnership Return*, showing the total credit.

An S corporation does not file Form IT-635. It must file Form CT-635. If you are a shareholder of an S corporation that has made the election under Tax Law section 660, obtain your share of the S corporation's credit from the S corporation and follow the instructions on this form for claiming your credit on your personal income tax return.

Specific instructions

See the instructions for your tax return for the *Privacy notification* or if you need help contacting the Tax Department.

Use the instructions below to determine which sections of this form you should fill out. **If more than one set of instructions applies, follow all the instructions that apply to you.**

Individuals: Complete Schedules A, B, E, and F.

Partnerships: Complete Schedules A, B, E, and F.

A married couple in a business enterprise that made an IRC 761(f) election to file two federal Schedule C forms instead of a partnership return: If you file jointly, compute your credit as if you were filing one federal Schedule C for the business (enter the total of all applicable amounts from both federal Schedule C forms). Complete Schedules A, B, E, and F.

Fiduciaries: Complete Schedules A, B, C, E, and F.

Partners in a partnership, shareholders of a New York S corporation, and beneficiaries of an estate or trust: Complete Schedules B and D.

Schedule A – Credit for certified youths

Line 1 – Enter the amount of your New York youth works tax credit from line 11. This amount cannot exceed the amount shown on your certificate of tax credit issued by the NYS Department of Labor.

Schedule B – Partner’s, shareholder’s, or beneficiary’s share of credit

Line 2 – Partners: Obtain the amount to enter on line 2 from your partnership. If you are a partner in more than one partnership, enter on this line the total of all your shares of this credit you received from all partnerships. Submit a copy of the partnership(s) certificate of tax credit with Form IT-635.

Line 3 – Shareholders: Obtain the amount to enter on line 3 from your S corporation. If you are a shareholder in more than one S corporation, enter on this line the total of all your shares of this credit you received from all S corporations. Submit a copy of the S corporation(s) certificate of tax credit with Form IT-635.

Line 4 – Beneficiaries: Obtain the amount to enter on line 4 from the estate or trust. If you are a beneficiary of more than one estate or trust, enter on this line the total of all your shares of this credit you received from all estates or trusts. Submit a copy of the estate(s) or trust(s) certificate of tax credit with Form IT-635.

Line 5 – Total credit allowed

Fiduciaries: Enter the line 5 amount on the *Total* line of Schedule C, column C, and complete Schedule C.

Partnerships: Enter the line 5 amount and code **635** on Form IT-204, line 147.

Partners, shareholders, and beneficiaries: If your total credits from all sources are **\$2 million or less**, enter the line 5 amount and code **635** on Form IT-201-ATT, line 12, or on Form IT-203-ATT, line 12, and complete Schedule D.

If your total credits from all sources are **more than \$2 million**, you may be subject to the temporary credit deferral. Complete line 5 and Schedule D, but do not enter the line 5 amount on your tax return. See Form IT-500 to determine the proper amount to enter on your tax return.

All others: If your total credits from all sources are **\$2 million or less**, enter the line 5 amount and code **635** on Form IT-201-ATT, line 12, or on Form IT-203-ATT, line 12.

If your total credits from all sources are **more than \$2 million**, you may be subject to the temporary credit deferral. Complete line 5, but do not enter the line 5 amount on your tax return. See Form IT-500 to determine the proper amount to enter on your tax return.

Schedule C – Beneficiary’s and fiduciary’s share of credit

An estate or trust must complete Schedule C.

Enter the amount from line 5 on the *Total* line of column C. If an estate or trust allocates or assigns the credits to its beneficiaries, base the division on each beneficiary’s proportionate share of the income of the estate or trust. Provide any amounts allocated or assigned to the beneficiaries to claim on their own income tax returns.

If your total credits from all sources are **\$2 million or less**, enter the amount from the *Fiduciary* line of column C on Form IT-205, line 33.

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

Schedule D – Partnership, S corporation, estate, and trust information

Partners, S corporation shareholders, and beneficiaries: Enter the appropriate information for each partnership, New York S corporation, or estate or trust from which you received a share of the credit. If you need more space, use a separate schedule (be sure to include your name and taxpayer identification number).

Schedule E – Employee information and computation of credit

Complete a Schedule E for each certified youth you employed from the list provided by the NYS Department of Labor. **If you employed more than one certified youth, complete a separate Schedule E for each employee.**

Enter the name, social security number, hire date (mm-dd-yyyy), and last date of employment during the current tax year (mm-dd-yyyy) for each employee.

Calendar-year filers: Complete only Part 1 for the first six months of employment.

Fiscal-year filers: Complete Part 1 and, if applicable, Part 2 for the first six months of employment.

Part 1 – 2012 hours worked and monthly factors for full-time or part-time work

Number of hours worked – Enter the number of hours the employee worked for each of the first six months. Fiscal-year filers may also need to complete Part 2 using 2013 monthly factors. If an employee had no hours worked for a month, leave blank.

Part-time – If the employee was hired during the middle of a month and subsequently left employment in the middle of a month, and those months are required to be included in this calculation, total the first and last months’ hours worked to determine if the minimum monthly hours were met to receive the credit. Enter those hours and the factor 0.5 in the chart for the last month.

Full-time or part-time factors for the first six months of employment – Based on the criteria listed below for each month, enter either 1.0 or 0.5.

2012	Full-time	Part-time	
	Enter 1.0 if hours worked are at least:	Enter .5 if hours worked are: at least	but less than
January	155	88.4	155
February	145	82.4	145
March	155	88.4	155
April	150	85.6	150
May	155	88	155
June	150	85.6	150
July	155	88	155
August	155	88	155
September	150	85.6	150
October	155	88	155
November	150	85.2	150
December	155	88.4	155

Part 2 – 2013 hours worked and monthly factors for full-time or part-time work

Number of hours worked – Enter the number of hours the employee worked for the months listed during 2013. If an employee had no hours worked for a month, leave blank.

Full-time or part-time factors for the first six months of employment – Based on the criteria listed below for each month, enter either 1.0 or 0.5.

2013	Full-time	Part-time	
	Enter 1.0 if hours worked are at least:	Enter .5 if hours worked are:	
		at least	but less than
January	155	88	155
February	140	79.6	140
March	155	88.4	155
April	150	85.2	150
May	155	88	155
June	150	85.6	150

Part 3 – Computation of credit

Line 6 Total monthly factors for first six months – Enter the total full-time or part-time factors for the first six months of employment during the tax year.

Line 7 Six-month employment credit – Multiply the amount from line 6 by 500 and enter the result on line 7. The maximum total allowed is \$3,000.

Line 8 Additional six-month credit – If the employee was retained for 12 consecutive months full time, enter **1000** on line 8. If the employee was retained for 12 consecutive months part time, enter **500** on line 8.

Line 9 Total tax credit for employee – Add lines 7 and 8.

Schedule F – Total New York youth works tax credit

Complete only **one** Schedule F. Schedule F is a summary of Schedule E, including any additional Schedule(s) E if you have more than one certified youth.

Line 10 – Enter the total of all the line 9 amounts from all additional Schedule(s) E on line 10. Submit all Schedule(s) E with your return.
