



# Instructions for Form IT-639 Minimum Wage Reimbursement Credit

Tax law – Article 1, Section 38 and Article 22, Section 606(aaa)

## General information

For tax years beginning on or after January 1, 2014, and before January 1, 2019, the New York State Tax Law provides a credit to eligible employers or owners of an eligible employer who are subject to tax under Article 9 (section 185), 9-A, 22, 32, or 33. 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) who is treated as a partnership for federal income tax purposes), and beneficiaries of an estate or trust may claim the credit on Form IT-639.

## Eligibility

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

- you are subject to tax under Tax Law Article 9 (section 185), 9-A, 22, 32 or 33;
- you are an eligible employer or an owner of an eligible employer; and
- you employ eligible employees.

## Definitions

An *eligible employer* is a corporation (including an S corporation), a sole proprietorship, an LLC, or a partnership.

The credit may be claimed by an eligible employer or an owner of an eligible employer (for example, a partner in a partnership or a shareholder of an S corporation) who is subject to tax under Tax Law Article 9 (section 185), 9-A, 22, 32, or 33.

An *eligible employee* is an employee who is:

- employed by an eligible employer in New York State (NYS);
- paid at the NYS minimum wage rate, as defined in Labor Law Article 19 during some part of the tax year by the eligible employer;
- at least 16 but not yet 20 years of age; and
- a student during the period he or she is paid at the NYS minimum wage rate by the eligible employer.

For purposes of this credit:

A *student* is an individual who is currently enrolled full-time or part-time in an eligible educational institution located inside or outside NYS.

An *eligible educational institution* is one that maintains a regular faculty and curriculum, and has a regularly enrolled body of students in attendance at the place where its educational activities are regularly carried on. Examples of eligible educational institutions include secondary schools, colleges and universities, and any institution that offers a program of training to prepare students for gainful employment in a recognized occupation such as trade, technical, and vocational schools. Eligible educational institutions do not include correspondence schools, schools offering courses only through the Internet, or on-the-job training courses.

Hours worked by a student during scheduled school breaks will qualify for the credit provided the student is enrolled at an eligible educational institution and has not completed or discontinued his or her education.

An employer must obtain documentation to verify that the individual is currently enrolled as a student at an eligible

educational institution. The employer must retain a copy of the student's documentation for their records and make it available to the Tax Department upon request. For examples of acceptable documentation, visit our Web site ([www.tax.ny.gov](http://www.tax.ny.gov)).

A *food service worker*, as defined by the NYS Department of Labor, is an employee primarily engaged in the serving of food and beverages to guests, patrons, or customers in the hospitality industry. They include, but are not limited to, wait staff, bartenders, captains, and busing personnel. They regularly receive tips from guests, patrons, or customers.

An *employer tip credit* is the amount of tips earned by an employee that the Labor Law allows his or her employer to take against the minimum wage requirement for that industry.

## Credit information

The amount of the credit is equal to the total number of hours worked by eligible employees during the tax year, for which they are paid the NYS minimum wage, multiplied by the applicable tax rate for that year, as follows:

Tax years	Tax credit rate
Tax years beginning on or after January 1, 2014, and before January 1, 2015	\$0.75
Tax years beginning on or after January 1, 2015, and before January 1, 2016	\$1.31
Tax years beginning on or after January 1, 2016, and before January 1, 2019	\$1.35

If the federal minimum wage is increased to more than 85% of the NYS minimum wage, the above tax credit rates will be reduced to an amount equal to the difference between the NYS minimum wage and the federal minimum wage. The reduction will be effective on the first day that the eligible employer is required to pay the increased federal minimum wage.

For information about the NYS minimum wage rates currently in effect, see the NYS Department of Labor Web site at [www.labor.ny.gov](http://www.labor.ny.gov).

For information about the federal minimum wage rates currently in effect, see the U.S. Department of Labor Web site at [www.dol.gov](http://www.dol.gov).

**Note:** If an employee is paid the NYS minimum wage for part of a year and paid a higher wage for the remainder of the year, the taxpayer can only receive the credit for the number of hours worked by eligible employees for which they were paid the NYS minimum wage rate.

An eligible employer who discharges an ineligible employee and replaces that employee with an eligible employee solely for the purpose of qualifying for the credit does not qualify to claim the credit for any eligible employee. In addition, an eligible employee who is used as the basis for this credit may not be used as the basis for any other credit allowed under the Tax Law.

An employer may claim the minimum wage reimbursement credit for tipped food service worker employees under the following two circumstances:

- An employee is paid the statutory minimum cash wage rate for tipped employees (currently \$5.00 per hour), provided that the

employer tip credit, when added to the cash wage, equals the minimum wage in effect under Labor Law section 652.1; or

- An employee is paid at an hourly cash wage rate greater than the statutory minimum cash wage rate for tipped food service worker employees (currently \$5.00 per hour), but not more than the basic minimum wage rate (currently \$8.00 per hour) because the total cash wages plus tips received by the employee did not meet the basic minimum wage of \$8.00 per hour required for all workers, provided that the employer tip credit, when added to the cash wage, equals the minimum wage in effect under Labor Law section 652.1.

For more information regarding the current statutory minimum cash wage rate for tipped employees, see the New York State Department of Labor Web site at [www.labor.ny.gov](http://www.labor.ny.gov).

**Example 1:** *A bartender who is a tipped employee earns \$7.00 per hour in cash wages from his employer and \$4.00 per hour in tips. The employer may not claim the credit for this employee because his cash wage rate plus tips exceeds the minimum wage rate of \$8.00 per hour.*

**Example 2:** *A waitress who is a tipped employee earns less than \$8.00 per hour in wages and tips. The employer must pay a cash wage greater than \$5.00 per hour (the current minimum cash wage) to bring the waitress's total hourly rate to \$8.00 per hour required for all employees. The employer may claim the credit for those hours he is required to pay more than \$5.00 per hour to bring the employee's wages up to the statutory minimum wage of \$8.00 per hour.*

If the amount of the eligible employee's base pay per hour on which overtime pay is calculated equals the statutory minimum wage per hour, then the hours of overtime work qualify to be counted for calculation of the minimum wage reimbursement credit. Commissions and bonuses are not structured as payment for an hourly wage and would not become part of the calculation of the credit.

If the federal minimum wage exceeds the NYS minimum wage, no credit may be claimed for the hours eligible employees work at the higher federal minimum wage rate.

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-639 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 minimum wage reimbursement credit.

An estate or trust that divides the credit amongst itself and its beneficiaries must submit Form IT-639 with Form IT-205, *Fiduciary Income Tax Return*, showing each beneficiary's share of the credit.

A partnership must submit Form IT-639 with Form IT-204, *Partnership Return*, showing the total credit.

An S corporation does not file Form IT-639; it must file Form CT-639, *Minimum Wage Reimbursement Credit*. If you are a shareholder of an S corporation, 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.

## Line 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 complete. **If more than one set of instructions applies, follow all the instructions that apply to you.**

**Individuals (including sole proprietors):** Complete Schedules A and E.

**Fiduciaries:** Complete Schedules A, D, and E.

**Partnerships:** Complete Schedules A and E.

**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 amount 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 and E.

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

## Schedule A – Individual (including sole proprietor), partnership, and fiduciary

### Part 1 – Credit for hours worked when the federal minimum wage equals \$7.25 per hour

Complete Part 1 for hours worked when the federal minimum wage rate equals \$7.25 per hour. If you need more space, submit a separate schedule (be sure to include your name and taxpayer identification number).

**Column C –** Enter the total number of hours (including partial hours) worked by an eligible employee during the tax year for which they are paid the NYS minimum wage rate. Do not round the hours.

Do not enter any hours for which the employee was paid at a rate greater than the NYS minimum wage. No credit is allowed for those hours.

**Example 3:** *Employee A worked 300 hours during 2014 for which she was paid the NYS minimum wage of \$8.00 per hour. She received an increase in pay to \$8.50 per hour and worked 100 hours during 2014 earning that rate. Her employer should enter 300 hours in column C. Credit cannot be claimed for the 100 hours for which her regular pay rate exceeded the NYS minimum wage rate.*

**Example 4:** *A food service worker worked 600 hours during 2014 for which he was paid \$5.00 per hour in cash wages and his employer took a tip credit of \$3.00 per hour. His employer should enter 600 hours in column C since the worker's hourly cash wage rate and employer tip credit equals the NYS basic minimum hourly cash wage rate for food service workers.*

**Example 5:** *Employee B worked 500 hours during 2014 for which she was paid the NYS minimum wage of \$8.00 per hour. She also received overtime pay for 30 hours and a \$100 bonus. Since she received the NYS minimum wage as her regular rate, her employer should enter 530 hours (500 regular hours + 30 over time hours) in column C. The \$100 bonus is not considered in the computation of the credit.*

### Part 2 – Credit for hours worked when the federal minimum wage exceeds \$7.25 per hour

If the federal minimum wage is increased to an amount greater than \$7.25, complete Part 2 to calculate the credit for any hours worked after the increase in the federal rate goes into effect. If you need more space, submit a separate schedule.

**Column C** – Enter the total number of hours (including partial hours) worked by an eligible employee during the tax year for which they are paid the NYS minimum wage rate. Do not round the hours.

Do not enter any hours for which the employee was paid at a rate greater than the NYS minimum wage. No credit is allowed for those hours (see *Example 3*).

Do not make any entries for hours worked if the federal minimum wage exceeds the NYS minimum wage. No credit is allowed for those hours.

**Column D** – Enter the NYS minimum hourly wage rate.

For food service workers, enter the NYS basic minimum hourly rate for cash wage and tip credits per hour (currently \$5.00 plus \$3.00 tip credit, for a total of \$8.00 to be entered in column D).

Current NYS minimum hourly rates may be found at the NYS Department of Labor's Web site ([www.labor.ny.gov](http://www.labor.ny.gov)).

**Column E** – Enter the federal minimum hourly wage rate.

For food service workers, enter the federal basic combined cash and tip minimum wage rate.

Current federal minimum hourly rates may be found at the U.S. Department of Labor Web site ([www.dol.gov](http://www.dol.gov)).

**Example 6:** *Employee C worked 200 hours during 2014 for which he was paid the NYS minimum wage of \$8.00 per hour. The federal minimum wage was increased to \$7.75. Employee C worked 100 hours after the federal rate increase went into effect. His pay rate remained at \$8.00 per hour. His employer should complete **Part 1** and enter 200 hours in column C for the hours worked before the federal rate increased. The employer should also complete **Part 2** and enter 100 hours in column C for the hours worked after the federal rate increased, \$8.00 in column D and \$7.75 in column E.*

*The credit in Part 1 is calculated at \$.75 per hour for the first 200 hours (\$150 total for Part 1). The credit in Part 2 is calculated at \$.25 per hour (\$8.00 - \$7.75) for the last 100 hours (\$25 total in Part 2). The total credit for this employee for 2014 is \$175.*

**Example 7:** *Employee D worked 500 hours during 2014 for which he received the NYS minimum wage of \$8.00 per hour. He also received overtime pay for 30 hours and a \$100 bonus. Since he received the NYS minimum wage as his regular rate, his employer should enter 530 hours (500 regular hours + 30 overtime hours) in column C. The employer should enter \$8.00 in column D and the federal minimum wage rate in column E. The \$100 bonus is not considered in the computation of the credit.*

**Example 8:** *The federal minimum wage rate increased to \$7.50 on August 1, and then to \$8.25 on November 1. Employee E received \$8.00 per hour for 200 hours worked during August 1 to October 31. She received \$8.25 per hour for 100 hours worked from November 1 to December 31. Her employer should enter 200 hours in column C, \$8.00 in column D, and \$7.50 in column E. No credit may be claimed for the 100 hours she worked from November 1 to December 31 since the federal minimum wage rate exceeded the NYS minimum wage.*

## Schedule B – Partnership, S corporation, estate, and trust information

Enter the appropriate information for each partnership, S corporation, or estate or trust from which you received a share of the minimum wage reimbursement credit. If you need more space, submit a separate schedule.

## Schedule C – Partner's, shareholder's or beneficiary's share of credit

Enter your share of the total credit received from a partnership, S corporation, or an estate or trust. If you belong to more than one partnership, S corporation, or estate or trust, enter the total of all your shares on the appropriate line.

**Line 6 – Partner:** Enter your share of the total credit from your partnership. This information should be provided to you by your partnership.

**Line 7 – S corporation shareholder:** Enter your share of the total credit from your S corporation. This information should be provided to you by your S corporation.

**Line 8 – Beneficiary:** Enter your share of the total credit from estates and trusts. This information should be provided to you by your fiduciary.

## Schedule D – Beneficiary's and fiduciary's share of credit

An estate or trust must complete Schedule D. 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. If you need more space, submit a separate schedule.

## Schedule E – Computation of credit

**Fiduciaries:** Do not enter any amounts on lines 10 or 11. Enter the amount from Schedule D, column C, *Fiduciary* line, on line 12.

**Line 13** – Enter this amount and code **639** on Form IT-201-ATT, line 12; or on Form IT-203-ATT, line 12; or on Form IT-204, line 147; or include it on Form IT-205, line 33.