



# 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-I

## 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 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-A. The QEZE tax reduction credit is allowed against the New York State corporate franchise tax under Article 9-A.

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-I, *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. Attach a copy of the retention certificate received from each partnership 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 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 the fixed dollar minimum tax as computed under Article 9-A.

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).

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 Form CT-606-I, *Instructions for Form CT-606*.

A **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 Part 2, line 2 of your franchise tax return, **plus** any net recaptured tax credits.

**Line 3** – If you are claiming more than one tax credit for this year, enter the total amount of credits you claimed before applying this credit; otherwise enter **0**. You **must** apply tax credits in a specific order.

For the correct order of credits, see Form CT-600-I, *Instructions for Form CT-600, Ordering of Corporation Tax Credits*.

**Combined filers:** Include the total amount of all tax credits you **and** other members of the combined group are claiming—including the QEZE credit for real property taxes and QEZE tax reduction credit for corporate partners—that you want to apply before you apply this credit.

**Line 5** – Enter your fixed dollar minimum tax from Form CT-3 or the designated agent's fixed dollar minimum tax from Form CT-3-A.

**Lines 7, 9, and 10** – On line 7, enter the lesser of line 1 or line 6. Transfer the amounts from lines 7, 9, and 10 to your franchise tax return. Use the box labeled *Form CT-606* in the summary of credits section of 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**

Enter the tax on business income from Form CT-3, *General Business Corporation Franchise Tax Return*. **Do not** enter your tax on capital or your fixed dollar minimum tax.

**Combined filers** – Enter on line 14-A, the product of the following:

1. The tax on business income (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.

**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 business income.

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

**Worksheet A**

- |                                                                                                                                                                          |                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>a</b> Enter your pro rata share of QEZE partnership income included in <b>business income before apportionment</b> on your New York State corporation tax return..... | <b>a</b> _____ |
| <b>b</b> Enter your business apportionment percentage as calculated on your New York State corporation tax return .....                                                  | <b>b</b> _____ |
| <b>c</b> Multiply line a by line b; enter here and on line 14-B                                                                                                          | <b>c</b> _____ |

**Line 14-C** – Enter your apportioned business income.

**Line 16** – Enter the amount from Part 2, line 2 of your franchise tax return, **plus** any net recaptured tax credits.

**Line 17** – If you are claiming more than one tax credit for this year, enter the total amount of credits you claimed before applying this credit; otherwise enter **0**. You **must** apply tax credits in a specific order.

For the correct order of credits, see Form CT-600-I, *Instructions for Form CT-600, Ordering of Corporation Tax Credits*.

**Combined filers:** Include the total amount of all tax credits you **and** other members of the combined group are claiming—including the QEZE credit for real property taxes and QEZE tax reduction credit for corporate partners—that you want to apply before you apply this credit.

**Line 19** – Enter your fixed dollar minimum tax from Form CT-3 or the designated agent’s fixed dollar minimum tax from Form CT-3-A.

**Line 21** – Enter the lesser of line 15 or line 20. Transfer this amount to your franchise tax return. Use the box labeled *Form CT-604* in the summary of credits section of your franchise tax return.

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