



Instructions for Form DTF-620

Application for Certification of a Qualified Emerging Technology Company

General information

You must file this annual application with the Commissioner of Taxation and Finance to certify the company named on the application is a qualified emerging technology company (QETC). The term *company* includes, but is not limited to, corporations, partnerships, and limited liability companies (LLC).

For a taxpayer to be eligible to claim a QETC capital tax credit (Form DTF-622, *Claim for QETC Capital Tax Credit*), the Commissioner of Taxation and Finance **must** certify the company as a QETC. If the company is **not** certified, the taxpayer **cannot** claim a QETC capital tax credit. For more information, see the following Tax Bulletins, available on our website at www.tax.ny.gov (search: *qetc*):

- TSB-M-99(2.1)C, *Qualified Emerging Technology Company Tax Credits (Article 9-A Taxpayers Only)*
- TSB-M-00(2)I, *Qualified Emerging Technology Company Tax Credits (Personal Income Tax)*
- TSB-M-12(9)C, (8)I, *Clarification of Qualifications for Qualified Emerging Technology Company Tax Credits*

Who is eligible for certification

To be eligible for certification, the company **must**:

- be located in New York State, and
- have total annual product sales of \$10 million or less.

If the company meets those requirements, it may seek certification under either Category 1 or Category 2 using data from the preceding period (see *How to use data from the preceding period*).

A company qualifies under Category 1 if the company creates or develops primary products or services classified as emerging technologies under the Public Authorities Law (PAL) § 3102-e(1)(b).

A company qualifies under Category 2 if:

- the company has research and development (R&D) activities in New York State, and
- the company's ratio of R&D funds to net sales equals or exceeds the average ratio for all surveyed companies classified, as determined by the National Science Foundation (NSF).

For a table of average ratios, visit our website at www.tax.ny.gov (search: *qetc*).

When to apply for certification

If possible, apply for certification 30 days before the certification period begins. This allows the Commissioner of Taxation and Finance sufficient time to review the application and notify the company of the department's decision.

However, you may apply for certification at any time during the period for which you are seeking certification.

How to determine the certification period

The beginning and ending dates of the certification period should coincide with the company's fiscal tax year for federal income tax. However, the beginning date cannot be a date before the company was located or began business in New York State.

How to use data from the preceding period

The *preceding period* is the period occurring immediately before your requested certification period.

Generally, base the information for Category 1 and Category 2 on data from the first nine months of the preceding period.

You must annualize the information on lines 12, 14, 15, 23, and 24. Divide the data by 9, and multiply the result by 12. However, if data is available for the entire twelve months of the preceding period, use that data.

Example: *OZ Company is a calendar-year taxpayer for federal taxes. Thirty days before the beginning date of the period of certification, OZ Company files Form DTF-620. Data for the entire twelve months of the preceding period is not available, so OZ Company bases the information for Category 1 and Category 2 on data for the first nine months of the preceding period. OZ Company annualizes the information for lines 12, 14, 15, 23, and 24 by dividing the data by nine and multiplying the result by 12. The company's product sales for the first nine months of the preceding period were \$4,500,000, so the annualized product sales on line 12 are \$6,000,000.*

$$\frac{\$4,500,000}{9 \text{ mo.}} = \$500,000 \times 12 \text{ mo.} = \$6,000,000$$

If the preceding period is less than nine months, base the information for Category 1 and Category 2 on data for the short preceding period. You must annualize the information by dividing the data by the number of months in the short preceding period and multiplying the result by 12.

If there is no preceding period occurring immediately before the certification period, base the information for Category 1 and Category 2 on projected information for the certification period identified on the application.

Definitions

A *qualified emerging technology company (QETC)* is defined under PAL § 3102-e as a company located in New York State that has total annual product sales of \$10 million or less, and meets either of the following criteria:

- its primary products or services are classified as emerging technologies under PAL § 3102-e(1)(b); or
- it has R&D activities in New York State, and its ratio of R&D funds-to-net sales equals or exceeds the average ratio for all surveyed companies classified (as determined by the NSF in the most recently published results from its survey of industrial research and development or a comparable successor survey as determined by the Tax Department).

There are two average ratios for all surveyed companies classified on the NSF's survey. One average ratio is for companies doing R&D regardless of the source of the funding, and the other average ratio is for companies doing company-funded R&D. The average ratio for all surveyed companies classified is the lesser of these two ratios.

For a table of average ratios, visit our website at www.tax.ny.gov (search: *qetc*). To view or request a copy of the survey, visit the NSF website at www.nsf.gov.

Emerging technologies under PAL § 3102-e(1)(b) means:

- 1) Advanced materials and processing technologies that involve the development, modification, or improvement of one or more materials or methods to produce devices and structures with improved performance characteristics or special functional attributes, or to activate, speed up, or otherwise alter chemical, biochemical, or medical processes. Such technologies shall include, but not be limited to, the following: metal alloys, metal matrix and ceramic composites, advanced polymers, thin films, membranes, superconductors, electronic and photonic materials, bioactive materials, bioprocessing, genetic engineering, catalysts, waste emissions reduction, and waste processing technologies;
- 2) Engineering, production, and defense technologies that involve knowledge-based control systems and architectures, advanced fabrication and design processes, equipment, and tools, or propulsion, navigation, guidance, nautical, aeronautical and astronautical ground and airborne systems, instruments, and equipment. Such technologies shall include, but not be limited to, the following: computer-aided design and engineering, computer-integrated manufacturing, robotics and automated equipment, integrated circuit fabrication and test equipment, sensors, biosensors, signal and image processing, medical and scientific instruments, precision machining and forming, biological and genetic research equipment, environmental analysis, remediation, control, and prevention equipment, defense command and control equipment, avionics and controls, guided missile and space vehicle propulsion units, military aircraft, space vehicles, and surveillance, tracking, and defense warning systems;
- 3) Electronic and photonic devices and components for use in producing electronic, optoelectronic, mechanical equipment and products of electronic distribution with interactive media content. The technologies include, but are not limited to, the following: microprocessors, logic chips, memory chips, lasers, printed circuit board technology, electroluminescent, liquid crystal, plasma, and vacuum fluorescent displays, optical fibers, magnetic and optical information storage, optical instruments, lenses, and filters, simplex and duplex data bases, and solar cells;
- 4) Information and communication technologies, equipment and systems that involve advanced computer software and hardware, visualization technologies, and human interface technologies. The technologies include, but are not limited to, the following: operating and applications software, artificial intelligence, computer modeling and simulation, high-level software languages, neural networks, processor architecture, animation and full-motion video, graphics hardware and software, speech and optical character recognition, high-volume information storage and retrieval, data compression, broadband switching, multiplexing, digital signal processing, and spectrum technologies;
- 5) *Biotechnologies* are technologies involving the scientific manipulation of living organisms, especially at the molecular and or the sub-molecular genetic level, to produce products conducive to improving the lives and health of plants, animals, and humans; and the associated scientific research, pharmacological, mechanical, and computational applications and services connected with these improvements. Activities included with such applications and services shall include, but not be limited to, alternative mRNA splicing, DNA sequence amplification, antigenetic switching, bio-augmentation, bio-enrichment, bio-remediation, chromosome walking, cytogenetic engineering, DNA diagnosis, fingerprinting, and

sequencing, electroporation, gene translocation, genetic mapping, site-directed mutagenesis, bio-transduction, bio-mechanical and bio-electrical engineering, and bio-informatics.

- 6) *Remanufacturing technologies* are processes whereby eligible commodities are restored to their original performance standards and are thereby diverted from the solid waste stream, retaining the majority of components that have been through at least one life cycle and replacing consumable portions to enable such commodities to be restored to their original functions. For the purposes of this subdivision, *eligible commodities* are commodities (excluding paper) used in conjunction with or as a part of equipment performing the functions of facsimile machines, photocopiers, printers, duplication equipment, or any combination thereof, including, but not limited to the following: magnetic ink character recognition cartridges, photo conductor assemblies, electrostatic cartridges, thermal imaging cartridges, toner cartridges, ink jet cartridges, and printer cartridges. In addition, *eligible commodities* also include equipment used to record single frame images on film, where such equipment and film are marketed and sold as a single integrated consumer product, and where such equipment and film may be submitted in whole to a photograph processor for the purposes of processing.

Total annual product sales means the amount reported or that should have been reported for federal income tax purposes as gross receipts or sales from the sale of all products during the preceding period for which you are filing this application. If there is no preceding period, *total annual product sales* means the amount projected to be reported for federal income tax purposes as gross receipts or sales from the sale of all products during the filing period shown on the application for certification (no consideration is given to the preceding period).

Net sales means total annual product sales less the amount reported or that should have been reported for federal income tax purposes as returns and allowances during the preceding period for which you are filing this application. If there is no preceding period, *net sales* means the amount projected to be reported for federal income tax purposes as returns and allowances during the filing period shown on the application for certification (no consideration is given to the preceding period).

Primary products or services means that more than 50% of a taxpayer's receipts from products or services are derived from emerging technology products or services during the preceding period for which this application is being filed. If there is no preceding period, *primary products or services* means that more than 50% of a taxpayer's receipts from products or services are projected to be derived from emerging technology products or services during the filing period shown on the application for certification (no consideration is given to the preceding period). Alternatively, if a business has no receipts from the sale of products and services, if more than 50% of the business' expenses are attributable to emerging technologies during the tax year for which this application is being filed, the business satisfies the test.

Research and development funds are expenditures paid or incurred in the conduct of R&D activities during the preceding period for which you are filing this application. If there is no preceding period, these funds represent projected expenditures to be paid or incurred in the conduct of R&D activities during the filing period shown on the application for certification (no consideration is given to the preceding period).

Definitions from the survey

The following definitions are from the NSF's Business R&D Survey:

Research and development includes the following:

- the planned systematic pursuit of new knowledge or understanding toward general application (basic research)
- the acquisition of knowledge or understanding to meet a specific, recognized need (applied research)
- the application of knowledge or understanding toward the production or improvement of product, service, process, or method (development)

Research and development activities include:

- activities that incorporate:
 - basic and applied research in the sciences and engineering
 - design and development of new products and processes
 - enhancement of existing products and processes
- activities carried on by persons trained, either formally or by experience, in:
 - biological sciences (for example, medicine)
 - computer science
 - engineering
 - mathematical and statistical sciences
 - physical sciences (for example, chemistry and physics)
- activities that take place in:
 - separate R&D organizational units of the company
 - company laboratories
 - technical groups not part of an R&D organization

The following activities are **excluded** from R&D:

- R&D from acquired companies prior to acquisition (in process R&D)
- amortization above the actual cost of property and equipment related to your R&D activities
- test and evaluation once a prototype becomes a production model
- routine product testing
- geological and geophysical exploration activities
- technical services such as:
 - quality and quantity control
 - technical plant sanitation control
 - troubleshooting in connection with breakdowns in full-scale production
- advertising programs to promote or demonstrate new products or processes
- assistance in preparation of speeches and publications for persons not engaged in R&D
- social science R&D including:
 - personnel R&D
 - economic R&D
 - artificial intelligence and expert systems R&D
 - consumer, market, and opinion R&D
 - engineering psychology R&D
 - management and organizational R&D
 - actuarial and demographic R&D
 - educational processes and applications R&D
 - R&D in law

Basic research is the pursuit of new scientific knowledge or understanding that does not have specific immediate commercial objectives, although it may be in fields of present or potential commercial interest.

Applied research applies the findings of basic research or other existing knowledge toward discovering new scientific knowledge that has specific commercial objectives with respect to new products, services, processes, or methods.

Development is the systematic use of the knowledge or understanding gained from research or practical experience directed toward the production or significant improvement of useful products, services, processes, or methods, including the design and development of prototypes, materials, devices, and systems.

Include as development:

- expenditures for designing and conducting clinical trials of drugs, pharmaceuticals, or other products that have not been marketed
- software development, including designing and/or adapting software if the application has commercial value (exclude software development for internal use); beta version of software being developed which has potential commercial application; and design and operation of pilot plants and semi-work plants
- engineering activity required to advance the design of a product or process so it meets specific functional and economic requirements
- design, construction, and testing of prototypes and models including test models for defense contracts
- designs for special manufacturing equipment and tools
- preparation of reports, drawings, formulas, specifications, standard practice instructions, or operating manuals

Exclude as development:

- software development intended for within company-use only
- routine technical services to customers
- toolmaking and tool tryout
- production of detailed construction drawings and manufacturing blueprints

Specific instructions

Certification period

In the upper-right corner of Form DTF-620, enter the certification period covered by this application.

Part 1: Business information

Line 1: Enter the exact legal name of your business. The *legal name* is the name in which the business owns property or acquires debt. A *corporation's legal name* is the name that appears on the certificate of incorporation. A *partnership's legal name* is the name that appears on its partnership agreement. An *LLC's legal name* is the name that appears on its articles of organization.

Line 2: Enter the trade name, doing business as (DBA) name, or assumed name, if different from line 1. For a corporation, this is the name that appears on the trade name certificate filed with the New York State Department of State. For an unincorporated business, this is the name filed with the county clerk's office under General Business Law § 130.

Line 3: Enter the street address where business is conducted in New York State, or the business' principal place of business if there is more than one location in New York State. Do **not** enter a representative's address or a post office box number.

Line 4: Enter the address where the Tax Department should mail you information. A post office box number or a representative's address is acceptable.

Line 8: Enter your employer identification number (EIN) or Social Security number (SSN). If you do not have one, enter *N/A*.

Part 2: Eligibility requirements

Line 11: A *company located in New York State* means a corporation, partnership, LLC, or any other entity (such as a sole proprietorship) that, during the **preceding period** for which you are filing this application, owned or rented real property used in New York State in:

- its emerging technology primary products or services business, or
- its R&D activities.

If there is no preceding period, a *company located in New York State* means a corporation, partnership, LLC, or any other entity (including a sole proprietorship) that, during the **certification period** identified on this application, projected it would own or rent real property to be used in New York State in:

- its emerging technology primary products or services business, or
- its R&D activities.

Line 12: See the definition of *total annual product sales* and *How to use data from the preceding period*. If you annualized data from the preceding period:

1. Attach a worksheet to this application showing the calculation of the annualized product sales.
2. Base the information for Category 1 or Category 2 on data for the preceding period.

Category 2: Research and development (R&D) activities

Line 23: Enter the amount the company paid or incurred in the conduct of R&D activities during the tax year. These funds are the same funds the NSF used in their most recent survey.

Include as expenses:

- wages, salaries, and related costs
- materials and supplies consumed
- R&D depreciation
- cost of computer software used in R&D activities
- utilities, such as telephone, telex, electricity, water, and gas
- travel costs and professional dues
- property taxes and other taxes (except income taxes) incurred on account of the R&D organization or the facilities they use
- insurance expenses
- maintenance and repair, including maintenance of buildings and grounds
- company overhead, including personnel, accounting, procurement, and inventory, and salaries of research executives not on the payroll of the R&D organization

Exclude as expenses:

- R&D from acquired companies prior to acquisition (in process R&D)
- capital expenditures
- test and evaluation once a prototype becomes a production model
- patent expense
- income taxes and interest

Line 24: Enter total annual product sales minus the amount the company reported (or should have reported) for federal income tax as returns and allowances.

Line 26: To determine the applicable percentage to use for the certification period identified on this application, visit our website at www.tax.ny.gov (search: *qetc*) for a table of the average ratios.

Need help?



Visit our website at www.tax.ny.gov

- get information and manage your taxes online
- check for new online services and features

Telephone assistance

Business Tax Information Center:	518-457-5342
To order forms and publications:	518-457-5431
Text Telephone (TTY) or TDD equipment users	Dial 7-1-1 for the New York Relay Service

Privacy notification

New York State Law requires all government agencies that maintain a system of records to provide notification of the legal authority for any request for personal information, the principal purpose(s) for which the information is to be collected, and where it will be maintained. To view this information, visit our website, or, if you do not have Internet access, call and request Publication 54, *Privacy Notification*. See *Need help?* for the Web address and telephone number.