



# Instructions for Form DTF-621

## Claim for QETC Employment Credit

### General information

The qualified emerging technology company (QETC) employment credit under Tax Law §§ 210-B.7 and 606(q) encourages the creation of jobs in a QETC. The credit is available to Article 9-A taxpayers or Article 22 taxpayers. If you are eligible for the credit, you may claim it for up to three consecutive years. Generally, your partnership, New York S corporation, estate or trust should provide you with your share of the credit.

For more information, see the following Tax Bulletins, available on our website at [www.tax.ny.gov](http://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

You may claim this credit if:

- you are a corporation that is subject to tax under Article 9-A or an individual who is subject to tax under Article 22,
- you are a QETC as defined in Public Authorities Law (PAL) § 3102-e, **and**
- the average number of individuals employed full-time by the QETC in New York State during the tax year must be at least 101% of the QETC's base-year employment.

An individual subject to Article 22 includes:

- a sole proprietor (including estates and trusts that are sole proprietors)
- a partner of a partnership (including a member of a limited liability company [LLC] that is treated as a partnership for federal income tax)
- a shareholder of a New York S corporation
- a beneficiary of an estate or trust where the estate or trust is a sole proprietor, partner in a partnership, or shareholder of a New York S corporation

### Credit amount

The amount of the credit is equal to the average number of full-time employees in New York State for the current tax year, minus the average number of full-time employees for the three-year base period, multiplied by \$1,000.

See Schedule B for instructions on calculating the credit for the current tax year.

### Application and refund of credit

The credit is available for three consecutive tax years that you select. You may claim it for each of the three years that you remain eligible.

If you do not use the full amount of the credit against your tax liability this year, you may request a refund or apply the overpayment to next year's tax. However, the Tax Department will not pay interest on the refund or overpayment.

### Article 9-A filers

You **cannot**:

- use this credit to reduce the tax due to less than the fixed dollar minimum tax, or
- apply the credit against the metropolitan transportation business tax (MTA surcharge).

### Combined filers

If you are filing as a member of a combined group, you may claim the QETC employment credit. You will calculate the QETC employment credit on a separate basis and apply it against the combined tax.

### Percentages

When calculating percentages, convert decimals into percentages by moving the decimal point two spaces to the right. Round percentages to four decimal places.

**Example:**  $5,000 / 7,500 = 0.6666666 = 66.6667\%$

### Definitions

A *qualified emerging technology company* 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 research and development (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 National Science Foundation (NSF) in the most recently published results from its Business R&D Survey (BRDS) 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 funded by the federal government. The other average ratio is for companies doing R&D without funding from the federal government. The average ratio for all surveyed companies classified is deemed to be the lesser of these ratios.

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

To view or request a copy of the survey, visit the NSF website at [www.nsf.gov](http://www.nsf.gov).

A *company located in New York State* means a sole proprietorship, corporation, partnership, LLC, or any other entity that, during the tax year for which you are claiming the credit, owns or rents real property used in New York State in:

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

*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 include, but are not 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 include, but are not 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, and environmental analysis, remediation, control, and prevention equipment; defense command and control equipment, avionics and controls, guided missile and space vehicle propulsion units, military aircraft, and space vehicles; and surveillance, tracking, and defense warning systems.
3. Electronic and photonic devices and components for use in producing electronic, optoelectronic, or mechanical equipment, and products of electronic distribution with interactive media content. Such technologies include, but are not limited to, the following: microprocessors, logic chips, memory chips, lasers, and printed circuit board technology; electroluminescent, liquid crystal, plasma, and vacuum fluorescent displays; optical fibers, magnetic and optical information storage, and 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. Such 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*, defined as technologies involving the scientific manipulation of living organisms, especially at the molecular or the submolecular genetic level, to produce products conducive to improving the lives and health of plants, animals, and humans; and the associated scientific research and pharmacological, mechanical, and computational applications and services connected with these improvements. Such activities include, but are not limited to, the following: alternative mRNA splicing; DNA sequence amplification; antigenetic switching; bioaugmentation; bioenrichment; bioremediation; chromosome walking; cytogenetic engineering; DNA diagnosis, fingerprinting, and sequencing; electroporation; gene translocation; genetic mapping; site-directed mutagenesis; biotransduction; biomechanical and bioelectrical engineering; and bioinformatics.
6. *Remanufacturing technologies*, defined as 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* means 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. *Eligible commodities* also includes 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 tax year that the credit is claimed.

*Net sales* means total annual product sales minus the amount reported, or that should have been reported for federal income tax purposes, as returns and allowances during the tax year that the credit is claimed.

*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 tax year that the credit is claimed. Alternatively, if a business has no receipts from the sales of products and services, if more than 50% of the business' expenses are attributable to emerging technologies during the tax year that the credit is claimed, the business satisfies the test.

*Base-year employment* means the average number of individuals employed full time by the taxpayer in New York State during the three tax years immediately preceding the first tax year in which the credit is claimed. If the taxpayer provided full-time employment in the state for only part of the three-year base period, the credit cannot be claimed until the tax year following the first full tax year (a period of at least 12 calendar months) the taxpayer provided some full-time employment in the state.

*Full-time employment* means a job consisting of at least 35 hours per week, or two or more jobs that together constitute the equivalent of a job of at least 35 hours per week. A seasonal job that meets these requirements constitutes full-time employment if the job is continuous for at least three months.

## Information and definitions from the survey

The following information and definitions are from the NSF's BRDS.

R&D includes **all** of the following:

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

R&D activities include the following:

- 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 (such as medicine)
  - computer science
  - engineering
  - mathematical and statistical sciences
  - physical sciences (such as 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 product model
- Routine product testing
- Geological and geophysical exploration activities
- Technical services including
  - 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 includes the following:
  - 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; however, 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 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 or adapting software (or both) if the application has commercial value

(exclude software development for internal use); beta versions of software being developed that have potential commercial application; and design and operation of pilot plants and semiwork 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
- design 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 internal company use only
- routine technical services to customers
- toolmaking and tool tryout
- production of detailed construction drawings and manufacturing blueprints

## Line instructions

**Individuals (including sole proprietors), S corporations, fiduciaries, and partnerships:** Complete Schedules A, B, and C.

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, calculate your credit amount as if you were filing one federal Schedule C for the business. Complete Schedules A, B, and C.

**Partners (including corporate partners), shareholders of New York S corporations, and beneficiaries of estates or trusts:** Complete line A and Schedule C. If you are a corporate partner, also complete Schedule D.

**Corporations:** Complete Schedules A through D.

**Note:** If more than one of the above applies to you, complete all appropriate schedules on one Form DTF-621.

### Line A

**Partner:** Enter your share of the partnership's credit. Provide the name and identification number of the partnership.

**Shareholder:** Enter your share of the New York S corporation's credit. Provide the name and identification number of the New York S corporation.

**Beneficiary:** Enter your share of the estate's or trust's credit. Provide the name and identification number of the estate or trust.

If you are claiming a credit from more than one partnership, New York S corporation, estate or trust, combine all amounts and submit a list showing a breakdown of the amounts and the name and identification number of each entity.

## Schedule A: Eligibility requirements

### Part 2: QETC business activities

#### Research and development (R&D) activities

Complete these lines to determine if the R&D funds percentage on line 6a equals or exceeds the average ratio for all surveyed companies as last determined by the NSF. For the average ratio, visit our website at [www.tax.ny.gov](http://www.tax.ny.gov) (search: *qetc*).

**Line 4:** 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 its 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 5:** Enter the amount of net sales for the current tax year that you reported on your federal return.

**Line 6b:** Enter the most recently published NSF average ratio for all surveyed companies classified. To find this percentage, visit our website at [www.tax.ny.gov](http://www.tax.ny.gov) (search: *qetc*).

### Part 3: Calculation of average number of full-time employees in New York State for the current tax year and three-year base period

#### Line 17

For each date specified of the current tax year:

1. Enter the number of full-time employees the company employed in New York State. When calculating full-time employees, include:
  - all full-time general executive officers and employees, and
  - employees for whom you claimed a credit for employment of persons with disabilities.
2. Add the number of full-time employees on each date for the current tax year.
3. Divide the total from step 2 by the number of dates occurring during the current tax year. This is the average number of full-time employees for the current tax year.

#### Line 18

For the three-year period immediately preceding the first tax year in which you are claiming the credit (the *base period*):

1. Enter the number of full-time employees the company employed in New York State for each date specified. To calculate base-year employment, the company must have:
  - had some full-time employees, and
  - been taxable in New York State for at least 12 full calendar months in the tax year immediately preceding the year for which you are claiming the credit.
2. Add the number of full-time employees for the three-year base period.

3. Divide the total from step 2 by the number of dates occurring during the three-year base period. This is the average number of full-time employees for the three-year base period.

If the company provided full-time employment in New York State for only part of the three-year base period, calculate the base-year employment using that part.

When calculating full-time employees, include all full-time employees and full-time general executive officers.

The number of full-time employees, once calculated, remains the same for each of the three tax years for which you are claiming the credit.

#### Line 19

If the percentage is 101% or more, complete Schedules B and C and, if applicable, Schedule D. If the percentage is less than 101%, you are **not** eligible to calculate the credit for the current tax year. However, if you have any credits being passed through to you from a partnership, S corporation, estate or trust for this tax year, complete Schedule C.

**C corporations:** Also complete Schedule D.

### Schedule B: Calculation of credit for the current tax year

#### Additional information for Schedule B: Employee listing

If you calculated a QETC employment credit, you **must** complete this section. List the name and Social Security number of each full-time employee you used to calculate the average number of full-time employees on line 20. Submit additional sheets if necessary.

### Schedule C: Calculation of QETC employment credit

#### Line 25

**Estates or trusts:** Enter **only** your share of the credit amount on line A. An estate or trust must allocate or assign the credit to itself and to its beneficiaries in the same manner the income of the estate or trust is allocated.

#### Line 26

**Estates or trusts:** Enter **only** your share of the credit amount on line 24. An estate or trust must allocate or assign the credit to itself and to its beneficiaries in the same manner the income of the estate or trust is allocated.

**All others:** Enter the amount from line 24.

#### Line 27

**Partnerships:** Enter the amount from line 27 and code **621** on Form IT-204, line 147.

**Individuals and fiduciaries:** Enter the amount from line 27 and code **621** on:

- Form IT-201-ATT, line 12;
- Form IT-203-ATT, line 12.

For Form IT-205, include the amount in the total reported on line 33.

**New York S corporations:** Transfer the amount from line 27 to Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule*, and provide your shareholders with their proportional share of this amount.

**C corporations:** Continue with Schedule D.



**Schedule D: Calculation of QETC employment credit limitation (Article 9-A only)****Line 28**

Enter the amount from Form CT-3, General Business Corporation Franchise Tax Return, or Form CT-3-A, General Business Corporation Combined Franchise Tax Return, Part 2, line 2, **plus** any net recapture of other tax credits.

**Line 29**

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 QETC Employment Credit—that you want to apply before you apply this credit.

**Line 31**

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 33, 35, and 36**

On line 33, enter the amount from line 27 or line 32, whichever is less. Transfer the amount from lines 33, 35, and 36 to Form CT-3 or Form CT-3-A.

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