



Instructions for Form CT-604-CP

Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit for Corporate Partners

General information

For tax years beginning on or after January 1, 2001, the Empire Zones Program Act provides tax credits for a qualified empire zone enterprise (QEZE): the QEZE credit for real property taxes and the QEZE tax reduction credit.

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 Credit for Real Property Taxes and QEZE Tax Reduction Credit*.

New York S corporations that are corporate partners **do not** complete this form. However, the S corporation must provide all shareholders with their pro rata share of the real property tax credit that the S corporation derived from the partnership. It also must provide all shareholders with the benefit period factor, the employment increase factor, and the zone allocation factor of the partnership, so that the individual shareholder can compute the tax reduction credit on Form IT-604, *Claim for QEZE Credit for Real Property Taxes and 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.

QEZE credit for real property taxes

The QEZE credit for real property taxes is a credit against New York State corporate franchise and personal income taxes. The QEZE credit for real property taxes is available for taxpayers subject to tax under Article 9, section 185 only for tax years beginning on or after January 1, 2004. The credit is computed on eligible real property taxes paid or incurred on real property owned by the QEZE that is located in the empire zone (EZ) in which the QEZE is certified. The amount of the credit is the product of (1) the benefit period factor, (2) the employment increase factor, and (3) the eligible real property taxes paid or incurred by the QEZE during the current tax year.

For any QEZE certified on or after August 1, 2002, the real property tax credit may not exceed the credit limitation, which is the greater of the employment increase limitation or the capital increase limitation. The limitation will be computed by the partnership. The corporate partner will report its share of the credit after limitation on Form CT-604-CP, line 1.

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 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

- zero for Article 9, section 185 filers,
- the larger of the tax on minimum taxable income or the fixed dollar minimum tax as computed under Article 9-A, **or**
- \$250 for Article 32 or 33 filers.

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 MTA surcharge or the tax liability for next year.

QEZE tax reduction credit

The QEZE tax reduction credit is allowed against the New York State corporate franchise tax under Article 9-A, 32, or 33, and 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); **or**
- \$250 for Article 32 or 33 filers.

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*.

A *qualified empire zone enterprise (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, 2005, and that annually meets the employment test.

Employment increase factor is an amount which cannot exceed one. Obtain this factor from the partnership.

Benefit period factor is a number from zero to one, 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 the front of Form CT-604-CP the name and the employer identification number of the QEZE partnership.

Line 3 — If you are applying multiple credits, refer to Form CT-600, *Ordering of Corporation Tax Credits*, or your franchise tax return instructions to determine the order of credits that applies. If filing Form CT-604, and/or more than one Form CT-604-CP, include any amount of QEZE credit for real property taxes and QEZE tax reduction credit that you are claiming that you wish to apply before the QEZE credit for real property taxes being claimed on this form. Life insurance corporations do not include EZ wage tax credit, EZ capital tax credit, or zone equivalent area (ZEA) wage tax credit on this line.

Line 7

Article 9 filers — Include this amount on Form CT-185, *Cooperative Agricultural Corporation Franchise Tax Return*, line 7.

Article 9-A filers — Include this amount on your franchise tax return. For Form CT-3, *General Business Corporation Franchise Tax Return*, use the box labeled *Form CT-604, line 33* under *Summary of credits claimed on line 79* against current year's franchise tax. If you are filing Form CT-3-A, *General Business Corporation Combined Franchise Tax Return*, use the box labeled *Form CT-604, line 33*, under *Summary of credits claimed on line 78* against current year's franchise tax.

Article 32 filers — Include this amount on your franchise tax return. For Form CT-32, *Banking Corporation Franchise Tax Return*, or CT-32-A, *Banking Corporation Combined Franchise Tax Return*, use the box labeled *Form CT-604 QEZE credit for real property taxes* under *Summary of tax credits claimed on line 6* against current year's franchise tax.

Article 33 filers — Include this amount on your franchise tax return.

Use the box labeled *Form CT-604 QEZE credit for real property taxes*, under *Summary of tax credits claimed against current year's franchise tax return*.

Line 9 — Enter the amount of unused credit on line 8 that you wish refunded, and transfer this amount to the appropriate line of your franchise tax return.

Line 10 — Any amount of credit not being used or refunded may be claimed as an overpayment of tax. If you wish to have this amount applied against the metropolitan transportation business tax (MTA surcharge) or the tax liability for next year, transfer this amount to the appropriate line of your franchise tax return.

Line 14-A

When calculating the tax factor for corporate partners, if the QEZE partnership has a loss, the tax reduction credit for this QEZE partnership is zero.

Article 9-A filers — Enter the larger of the tax on the entire net income base or the tax on the minimum taxable income base from Form CT-3.

Article 9-A combined filers — Enter on line 14-A, the product of the following:

1. The amount of combined tax as computed on income (the larger of the tax on entire net income or minimum taxable income base, as shown on Form CT-3-A); 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 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 net operating loss, the tax reduction credit is zero.

Article 32 filers — Enter the larger of the tax on the entire net income base or the tax on the alternative entire net income base from Form CT-32.

Article 33 Life insurance corporation filers — Enter the larger of the tax on the entire net income base or the entire net income plus compensation base from Form CT-33.

Article 33 Nonlife insurance corporation filers — To claim the QEZE tax reduction credit, you must calculate a tax factor for the tax year by preparing a pro-forma tax return calculating a tax on income for the year the credit is claimed. Prepare Form CT-33, *Life Insurance Corporation Franchise Tax Return*, to calculate the tax on entire net income and the tax on entire net income plus compensation. Attach the pro-forma tax return to this form. Enter the larger of these tax amounts on line 14-A.

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

- entire net income if the tax on line 14-A was computed on entire net income; **or**
- minimum taxable income for Article 9-A, alternative entire net income for Article 32, or entire net income plus compensation for Article 33 if the tax on line 14-A was computed on one of these bases.

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

Worksheet A

- a. Enter your pro rata share of QEZE partnership income included in **business income before allocation** on your New York State corporation tax return a. _____
- b. Enter your business allocation percentage as calculated on your New York State corporation tax return b. _____
- c. Multiply line a by line b c. _____
- d. Enter your pro rata share of QEZE partnership income included in **investment income before allocation** on your New York State corporation tax return d. _____
- e. Enter your investment allocation percentage as calculated on your New York State corporation tax return e. _____
- f. Multiply line d by line e f. _____
- g. Add line c and line f; enter here and on line 14-B g. _____

Line 14-C — Enter your entire net income allocated to New York State if the tax on line 14-A was computed on entire net income. Enter your minimum taxable income for Article 9-A, alternative entire net income for Article 32, or entire net income plus compensation for Article 33 if the tax on line 14-A was computed on one of these bases.

Line 17 — If you are applying multiple credits, refer to Form CT-600 or your tax return instructions to determine the order of credits that applies. If filing Form CT-604, and/or more than one Form CT-604-CP, include any amount of QEZE tax reduction credit that you are claiming that you wish to apply before the QEZE tax reduction credit being claimed on this form. Life insurance corporations do not include EZ wage tax credit, EZ capital tax credit, or ZEA wage tax credit on this line.

Line 21

Article 9-A filers — Include this amount on your franchise tax return. For Form CT-3, use the box labeled *Form CT-604, line 47* under *Summary of credits claimed on line 79 against current year's franchise tax*. If you are filing Form CT-3-A, use the box labeled *Form CT-604, line 47*, under *Summary of credits claimed on line 78 against current year's franchise tax*.

Article 32 filers — Include this amount on your franchise tax return. For Form CT-32 or CT-32-A, use the box labeled *Form CT-604 QEZE tax reduction credit* under *Summary of tax credits claimed on line 6 against current year's franchise tax*.

Article 33 filers — Include this amount on your franchise tax return. Use the box labeled *Form CT-604 QEZE tax reduction credit* under *Summary of tax credits claimed against current year's franchise tax*.

Privacy notification — The Commissioner of Taxation and Finance may collect and maintain personal information pursuant to the New York State Tax Law, including but not limited to, sections 171, 171-a, 287, 308, 429, 475, 505, 697, 1096, 1142, and 1415 of that Law; and may require disclosure of social security numbers pursuant to 42 USC 405(c)(2)(C)(i).

This information will be used to determine and administer tax liabilities and, when authorized by law, for certain tax offset and exchange of tax information programs as well as for any other lawful purpose.

Information concerning quarterly wages paid to employees is provided to certain state agencies for purposes of fraud prevention, support enforcement, evaluation of the effectiveness of certain employment and training programs and other purposes authorized by law.

Failure to provide the required information may subject you to civil or criminal penalties, or both, under the Tax Law.

This information is maintained by the Director of Records Management and Data Entry, NYS Tax Department, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the United States and outside Canada, call (518) 485-6800.

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