



January 1998

Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1994

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Introduction and Purpose

This report provides an accounting of credit activity under the General Business Corporation Franchise Tax (Article 9-A). The report does not include credit activity attributable to banks, insurance companies or utilities, because such entities are taxable under other articles of the tax law. This study is mandated by Section 109(a) of the Business Tax Reform and Rate Reduction Act of 1987 (BTRRRA). The data used to generate this report come from an annual study conducted by the Office of Tax Policy Analysis (OTPA). The study is based on the latest available data drawn from New York State corporation tax returns. These data pertain to corporations whose taxable year begins on or after January 1, 1994, and ends on or before November 30, 1995 (hereinafter referred to as the 1994 tax liability year).

The report includes a focus section. This year the focus section presents an analysis of the alternative minimum tax credit covering the period 1992-1994. The section presents data, graphics and analysis of the credit usage during this time period.

Definitions and descriptions of the various tax credits for the time period analyzed appear in Appendix A. Highlights of tax law changes after 1995 appear in Appendix B. Appendix C contains the legislative mandate for the report.

Highlights for 1994

- Corporate taxpayers *earned* a total of \$195 million in credits, *claimed* a total of \$1,387 million in credits and *used* a total of \$93 million in credits against their Article 9-A liability.
- The investment tax credit accounted for almost 92 percent of all tax credits used.
- The manufacturing industry accounted for more than 75 percent of the value of all tax credits used.
- Over 85 percent of total credits used were in amounts of more than \$100,000.

Focus Section: Analysis of the Alternative Minimum Tax Credit - 1992-1994

Purpose

This is the second in a series of focus sections in this report highlighting a particular area of credit activity. The focus section for this report presents historical data analyzing the alternative minimum tax (AMT) credit. The profiles include the amount of AMT credit used by tax base and major industry group. The analysis also contrasts AMT credit usage with the AMT tax paid, for both number of taxpayers and dollar amounts. The tables include both the number of taxpayers and the amount of credit used for each profile from 1992-1994.

Description of the AMT Credit

The AMT credit was enacted in 1990 to provide corporations paying the AMT a credit for a portion of the AMT.¹ The credit is available for use against tax computed on entire net income (regular tax). The credit cannot reduce a corporation's tax to less than the higher of the AMT or the fixed dollar minimum.² The purpose for using the credit against the regular tax is to prevent double taxation, under the minimum tax and the regular tax, that might otherwise arise because of the inclusion of timing items of tax preference and adjustment in both bases, but in different years.

For tax years prior to 1994, the allowable credit equaled the excess of the post-1989 adjusted minimum tax imposed over the amount of minimum tax credit allowable for all prior taxable years. To determine adjusted minimum tax for any taxable year, taxpayers were required to re-compute alternative minimum taxable income as if the only adjustments taken into account were the federal tax preference items relating to depletion and appreciated property charitable deductions. The New York alternative net operating loss deduction (ANOLD) was disallowed in the computation of the credit. The difference between the regular AMT computation and the modified AMT computation is, therefore, only the following adjustment and preference items.

- Depreciation of tangible property placed in service after 1986

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- Amortization of mining exploration and development costs paid or incurred after 1986
 - Amortization of circulation expenditures paid or incurred after 1986
 - Basis adjustments in determining gain or loss from sale or exchange of property
 - Long term contracts entered into after 2/28/86
 - Installment sales of certain property
 - Merchant marine capital construction funds
 - Passive activity loss (closely held and personal service corporations only)
 - Intangible drilling costs

Taxpayers whose AMT base did not include any of the above items would not generate an AMT credit.

The State's AMT credit computation for 1990-1993 did not allow taxpayers the benefit of net operating losses (NOLs) carried forward from prior years or carried back from subsequent years. This has been modified for years beginning 1994 and thereafter. Taxpayers may adjust their AMT credit to include any additional credit resulting solely from the disallowance of NOLs in the AMT computation during the period 1990 through 1993 (i.e., the pre-1994 NOL component). No more than 20 percent of the pre-1994 NOL component is allowable annually in the five year period 1994-1998. Any pre-1994 NOL component credit not used under this 20 percent constraint is allowable in full after 1998.

Analysis of the AMT Credit

Table 1 shows data relating to the number of taxpayers and the amount of AMT credit used by tax base. The data span the period from 1992-1994.

Table 1 shows a significant increase in the amount of AMT credit used from 1993 to 1994. The number of taxpayers also increased during this time. Overall, the total number of taxpayers between 1993 and 1994 more than doubled. The data confirm that the 1994 tax law changes to the AMT credit calculation, especially with respect to the allowance of pre-1994 NOLs, have had a positive effect on credit usage. The positive effect is enhanced because the credit reflects the portion of current NOLs that were disallowed under the AMT.³

Table 1: Profile of AMT Credits Used by Basis of Taxation - 1992-1994 Liability Years

Basis of Taxation	1992		1993		1994	
	Number of Taxpayers	Amount of AMT Credit Used	Number of Taxpayers	Amount of AMT Credit Used	Number of Taxpayers	Amount of AMT Credit Used
Entire Net Income	185	\$2,051,905	289	\$1,136,843	571	\$3,226,330
Fixed Dollar Minimum Tax	d	d	28	37,404	86	176,345
Capital Base	6	12,723	16	9,782	17	28,358
Alternative Minimum Tax	66	432,421	103	357,494	294	2,506,458
Total	258	\$2,497,103	436	\$1,541,523	968	\$5,937,491

Note: "d" means disclosure is not possible due to confidentiality.

Table 2 illustrates the small number of taxpayers who used the AMT credit compared to total AMT filers, as well as the insignificant amount of credit used in contrast to the total amount of AMT tax paid. At its highest peak in 1994, the number of taxpayers who used the AMT credit represented only 0.06 percent of the total number of AMT taxpayers. In 1994, the amount of AMT credit used represented only 0.03 percent of total AMT tax paid.

Table 2: Profile of Taxpayers Using AMT Credit vs. AMT Filers and Credit Used vs. Tax Paid

Year	Number of Taxpayers Using AMT Credit	Number of AMT Taxpayers	Amount of AMT Credit Used	Amount of AMT Tax Paid
1992	258	15,462	\$2,497,103	\$238,500,503
1993	436	17,398	\$1,541,523	\$252,065,505
1994	968	16,188	\$5,937,491	\$203,348,932

The tax law changes to the AMT in 1994, such as the double weighting of receipts, reduced the total number of AMT filers. From 1993 to 1994, the total number of AMT taxpayers fell by 1,210, from 17,398 to 16,188. The effect of the AMT changes was not as dramatic as expected due to the recoupling of New York law to federal depreciation rules with respect to property placed in service outside the state by New York taxpayers, beginning in 1994. This federal conformity, while beneficial for taxpayers paying under the regular tax, served to increase the number of AMT filers.⁴

Figure 1 shows the effects of the 1994 tax law changes on the AMT and the AMT credit calculation. The most significant effect was the increase in the number of taxpayers who used credits from 1993 to 1994. The AMT filer numbers show that, while still high, there was a slight decline from 1993 to 1994.

Figure 1: AMT Filers vs. Taxpayers Using AMT Credits - 1992-1994

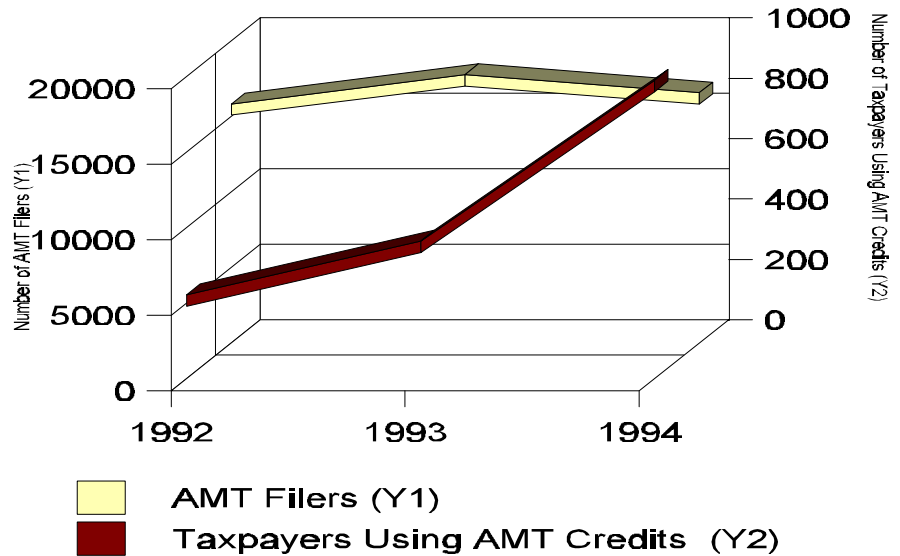


Figure 2 illustrates that the dollar amount of AMT credits used increased dramatically from 1993 to 1994. This complements Figure 1 in which the number of taxpayers who used AMT credits increased as well. Similarly, as the number of AMT filers decreased, the amount of AMT paid decreased.

Figure 2: AMT Paid vs. AMT Credit Used - 1992-1994

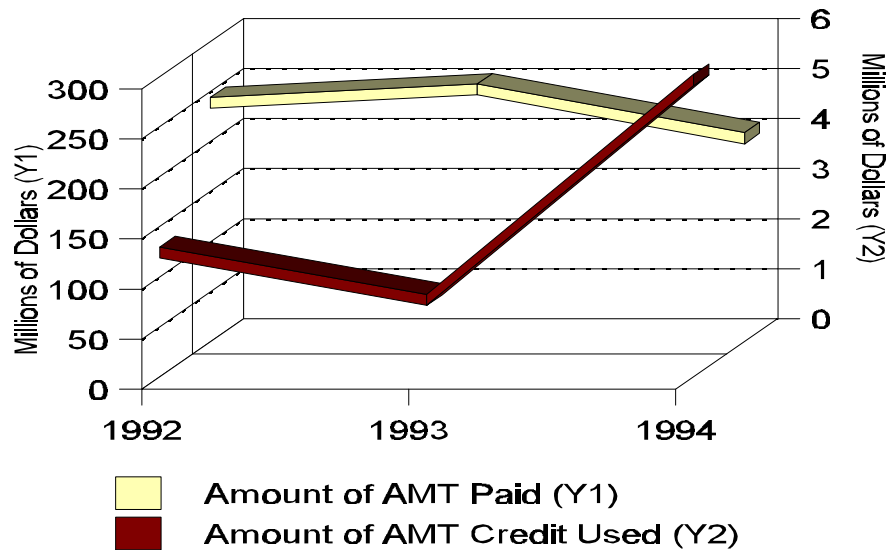


Table 3 presents historical data on the number of taxpayers and AMT credit used by major industry group. From 1992 to 1994, the services industry represented the majority of taxpayers who used the AMT credit, while the agricultural and mining industries continued to have little, if any, credit usage. The finance, insurance and real estate (FIRE) sector had, to a significant extent, the greatest amount of credit used over the same time period. Table 3 shows that, in 1994, the FIRE sector used \$2.7 million in AMT credits, compared to the services sector, which used only \$764,627 in credits.

Table 3: Profile of AMT Credit Used by Major Industry Group - 1992-1994 Liability Years

Major Industry Group	1992		1993		1994	
	Number of Taxpayers	Amount of Credit Used	Number of Taxpayers	Amount of Credit Used	Number of Taxpayers	Amount of Credit Used
Unidentifiable	15	\$20,478	7	\$2,602	29	\$7,600
Agriculture	0	0	d	d	d	d
Mining	0	0	d	d	d	d
Construction	36	249,505	59	224,124	112	352,738
Manufacturing	46	192,800	61	162,562	155	1,364,627
Trans., Comm., Pub. Utilities Services	18	55,605	13	13,493	32	81,289
Wholesale Trade	22	73,766	56	97,773	124	496,017
Retail Trade	28	205,249	75	362,965	121	129,340
Finance, Insurance and Real Estate	34	1,384,631	44	551,610	106	2,718,710
Services	59	315,069	118	112,886	279	764,627
Total	258	\$2,497,103	436	\$1,541,523	968	\$5,937,491

Note: "d" means disclosure is not possible due to confidentiality.

Endnotes

- 1.The credit equals a portion of the AMT that is attributable to certain adjustments and preference items. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, New York State Fiscal Year 1994-95 Budget: Summary of Tax Provisions (June 1994) for a more detailed description of tax law changes affecting the alternative minimum tax. See also New York State Department of Taxation and Finance Technical Services Bureau Memorandum 94(5) C “Computation of Minimum Taxable Income and Minimum Tax Credit” (January 3, 1995) for further information.
- 2.A technical amendment by Chapter 170 of the Laws of 1994 prevents the use of the minimum tax credit against the tax on subsidiary capital for tax years beginning after 1993.
- 3.Beginning in 1994, the ANOLD may not exceed 45 percent of the minimum taxable income for the year. In calculating the AMT credit, taxpayers are not required to add back any NOLD. This results in a more generous credit amount.
- 4.Taxpayers paying under the entire net income base are not required to add back depreciation amounts taken at the federal level in computing federal taxable income--the starting point for computation of the corporation franchise tax. In contrast, depreciation of property is an adjustment to be added back in computation of the AMT.

Analysis of Statistical Data

Description of Tables

The following tables present information for the corporate tax credits.

The tables present data on the number of taxpayers taking the credit, the total amount of credit, the average (mean) amount of credit and the median amount of credit,¹ for the following components of each credit:²

Credit Earned -	The amount of credit generated in the current tax year.
Credit Claimed -	The amount of credit which the taxpayer is entitled to use during the taxable year, including credit carried forward from prior years.
Credit Used -	The amount of credit which the taxpayer actually used to reduce tax liability. ³
Credit Carried Forward -	Any unused amount of credit which is allowed to be used to offset tax liability in future years.

A series of tables presents a profile of the credit(s) distributed by a different subgrouping. The subgroupings include: basis of taxation after credits, major industry group, size of entire net income, and size of credit used. Due to secrecy provisions, all subgroupings are not provided for all credits, and the tables do not present detailed information about refundable credits.

The major industry group category is based on Standard Industrial Classification Codes (SICs). The Internal Revenue Service asks taxpayers to identify their principal business activity using SIC codes on their tax returns. These codes identify the general type of business activity in which the entity is engaged. The major industry groups presented in this report consist of agriculture; mining; construction; manufacturing; transportation, communications, public utilities' services; wholesale trade; retail trade; finance, insurance and real estate; and services. Taxpayers who fail to provide SIC information, or who may

report outdated codes, become unidentifiable by industry group and are classified as such in this report.

Historical data presented in this report may differ from that presented in previous reports. This can occur as a result of changes made to the data collection process for this report and minor adjustments made to the original data files.

Data Considerations

The data contained in these tables come directly from the returns of corporations claiming credits.

Taxpayers permitted to take the investment tax credit (ITC) and the employment incentive credit (EIC) report the amounts of these credits earned during the tax year on separate lines on tax form CT-46. However, when computing the credit claimed, used and carried forward, taxpayers combine the ITC and EIC on the CT-46. This study presents these combined amounts for each of the credit components.

Summary of Credit Activity

The following table summarizes tax credit activity by component and type of credit. The totals in the summary table may not match the detail tables due to rounding and disclosure requirements. This table also provides information on recaptured and refundable credits.

In all of the tables, “-” indicates that the component does not apply to the credit or that the data for that component are not available. The letter ‘d’ indicates that the data can not be presented due to confidentiality restrictions of the tax law. However, total values for number of taxpayers, amount of credit and mean and median credit were computed using all taxpayers in the study. The available data for all tables do not reflect changes made on audit or as the result of amended filings.

Table 4: Comparison of Article 9-A Tax Credit Activity 1993 and 1994

Component	1993 (\$ millions)					Total
	Investment Credit	Special Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	
Total Credit Earned	\$172.1	1.8	-	2.5	-	\$176.4
Unused Credit from Earlier Year	1,112.9	4.9	-	4.9	-	1,122.7
Total Credit Available	1,285.1	6.7	-	7.4	-	1,299.2
Recaptured Credit	35.5	-	-	0.0	-	35.5
Credit Claimed	1,249.6	6.7	-	7.4	-	1,263.7
Credit Used	64.9	0.7	0.0	0.3	1.5	67.7
Refundable Credit	6.3	-	-	0.0	-	6.3
Credit Carried Forward	\$1,178.4	6.0	-	6.9	-	\$1,191.4

Component	1994 (\$ millions)					Total
	Investment Credit	Special Additional Mortgage Recording Credit	Job Incentive Credit	EDZ Credits	Alternative Minimum Tax Credit	
Total Credit Earned	\$184.7	4.3	-	5.9	-	\$194.8
Unused Credit from Earlier Year	1,213.0	1.9	-	7.0	-	1,221.9
Total Credit Available	1,397.7	6.2	-	12.8	-	1,416.8
Recaptured Credit	29.9	-	-	0.0	-	29.9
Credit Claimed	1,367.9	6.2	-	12.8	-	1,386.9
Credit Used	85.1	1.0	0.1	0.6	5.9	92.7
Refundable Credit	8.1	-	-	0.7	-	8.7
Credit Carried Forward	\$1,274.7	5.2	-	11.5	-	\$1,291.4

Note: "-" means that the component does not apply to the credit or that the data for that credit are not available.

Overview of Major Credit Provisions

This section provides an overview of credit provisions effective for tax years beginning prior to January 1, 1995. These credits are discussed in more detail in Appendix A. Appendix B describes changes to the tax law effective for tax years beginning on or after January 1, 1995. Appendix C contains the legislative mandate for the report.

Investment Tax Credit

The rate for the investment tax credit (ITC) equals 5 percent of the first \$350 million of investments, and 4 percent for investments over that amount.

Employment Incentive Credit

Taxpayers allowed an ITC may be eligible for the EIC. This credit is a two-year credit determined by the original investment credit base. The rate equals 1.5 percent if employment equals at least 101 percent, but less than 102 percent of base year employment. The rate equals 2 percent if

	<p>employment equals at least 102 percent, but less than 103 percent of base year employment. The rate equals 2.5 percent if employment equals at least 103 percent of base year employment.</p>
<p>Credit on Research and Development Property Under the Investment Tax Credit</p>	<p>Research and development property (R&D) qualifies for the ITC. Taxpayers may either choose the R&D rate of 9 percent or the lower ITC rate. By electing the lower rate, taxpayers also become eligible for the EIC in subsequent years based on increased employment. (Because of the consolidation of these credits on the tax return, separate data on the amount of research and development credit under the ITC do not appear in this report.)</p>
<p>Pre-1987 Research and Development Tax Credit</p>	<p>An unused research and development tax credit may be carried forward to any tax year beginning before January 1, 1994. None of this credit was used in 1993.</p>
<p>Economic Development Zone Credits</p>	<p>These credits include an investment tax credit, a wage credit (for wages paid to targeted and non-targeted employees in such zones), and a capital corporation tax credit (for the purchase of original issue stock issued by a certified economic development zone capital corporation).</p>
<p>Alternative Minimum Tax Credit</p>	<p>In certain instances, taxpayers could be subject to double taxation on the same transaction under the regular tax system and the alternative minimum tax (AMT). To eliminate this double-tax result, the law provides a credit mechanism. The AMT credit equals the taxpayer's adjusted minimum tax, minus any amount used as a minimum tax credit in prior years. (For a complete explanation, see Appendix A.)</p>

Endnotes

1.As used in this report, “Mean Amount of Credit” is defined as the average amount of credit in a given category. “Median Amount of Credit” is defined as the central value representing an equal number of credit values below and above it.

2.There is only data available for the “credit used” component for the Job Incentive Credit and the Alternative Minimum Tax Credit.

3.Taxpayers may use credits to reduce their tax liabilities computed under the entire net income base, capital base or subsidiary capital base. However, credits may not be used to reduce tax liability below the amount computed under the alternative minimum tax base or the fixed dollar minimum base, whichever is higher.

Table 5: Profile of Total New York State Credits

Credits Earned by Year and Credit

Credit	1993		1994	
	Number of Taxpayers	Amount of Credit Earned	Number of Taxpayers	Amount of Credit Earned
Investment Tax Credit	2,926	\$172,110,283	2,952	\$184,677,859
Special Additional Mortgage Recording Credit	50	1,846,338	66	4,261,641
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	5	225,706	26	962,633
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	22	2,265,315	51	4,911,026
ZEA Wage Credit	-	-	d	d
Alternative Minimum Tax Credit	-	-	-	-

Credits Claimed by Year and Credit

Credit	1993		1994	
	Number of Taxpayers	Amount of Credit Claimed	Number of Taxpayers	Amount of Credit Claimed
Investment Tax Credit	3,706	\$1,249,605,587	3,807	\$1,367,860,963
Special Additional Mortgage Recording Credit	99	6,738,235	109	6,195,867
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	6	312,858	39	1,537,282
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	26	7,065,059	58	11,277,246
ZEA Wage Credit	-	-	d	d
Alternative Minimum Tax Credit	-	-	-	-

Note: "d" means disclosure is not possible due to confidentiality.

"-" means the component does not apply to the credit or that the data for that credit are not available.

Table 5: Profile of Total New York State Credits

Credits Used by Year and Credit

Credit	1993		1994	
	Number of Taxpayers	Amount of Credit Used	Number of Taxpayers	Amount of Credit Used
Investment Tax Credit*	2,508	\$64,871,051	2,719	\$85,090,032
Special Additional Mortgage Recording Credit	66	709,930	89	1,009,172
Job Incentive Credit	5	27,437	5	68,510
EDZ Wage Credit	d	d	27	277,991
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	13	339,704	24	340,258
ZEA Wage Credit	-	-	d	d
Alternative Minimum Tax Credit*	436	1,541,523	968	5,937,491

Credits Carried Forward by Year and Credit

Credit	1993		1994	
	Number of Taxpayers	Amount of Credit Carried Forward	Number of Taxpayers	Amount of Credit Carried Forward
Investment Tax Credit	2,973	\$1,178,413,513	3,121	\$1,274,689,407
Special Additional Mortgage Recording Credit	68	6,028,305	60	5,186,694
Job Incentive Credit	-	-	-	-
EDZ Wage Credit	5	201,226	25	1,188,562
EDZ Capital Corporation Credit	-	-	-	-
EDZ Investment Tax Credit	28	6,725,375	51	10,310,492
ZEA Wage Credit	-	-	d	d
Alternative Minimum Tax Credit	-	-	-	-

*The number of investment tax credit and alternative minimum tax credit taxpayers and the corresponding amounts of each are slightly different from those reported last year in the [Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1993](#) due to changes in data selection.

Note: "d" means disclosure is not possible due to confidentiality.

"-" means the component does not apply to the credit or that the data for that credit are not available.

Table 6: Profile of New York State Investment Tax Credit by Basis of Taxation - 1994 Liability Year

Credit Earned

Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Entire Net Income	473	\$16,499,145	8.93	\$2,464	\$34,882
Fixed Dollar Minimum Tax	730	38,269,896	20.72	3,079	52,425
Capital Base	82	17,354,869	9.40	1,373	211,645
Alternative Minimum Tax	1,667	112,553,949	60.95	6,082	67,519
Total	2,952	\$184,677,859	100.00	\$4,482	\$62,560

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	513	\$31,201,841	2.28	\$3,063	\$60,822
Fixed Dollar Minimum Tax	1,127	221,456,871	16.19	13,911	196,501
Capital Base	98	446,021,122	32.61	1,273	4,551,236
Alternative Minimum Tax	2,069	669,181,129	48.92	26,634	323,432
Total	3,807	\$1,367,860,963	100.00	\$16,517	\$359,302

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	498	\$19,229,476	22.60	\$2,697	\$38,613
Fixed Dollar Minimum Tax	605	5,269,056	6.19	879	8,709
Capital Base	89	747,785	0.88	1,055	8,402
Alternative Minimum Tax	1,527	59,843,715	70.33	2,214	39,190
Total	2,719	\$85,090,032	100.00	\$1,806	\$31,295

Credit Carried Forward

Basis of Taxation	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Entire Net Income	42	\$11,710,813	0.92	\$55,700	\$278,829
Fixed Dollar Minimum Tax	1,079	212,442,236	16.67	13,886	196,888
Capital Base	20	445,234,717	34.93	17,626	22,261,736
Alternative Minimum Tax	1,980	605,301,641	47.49	22,769	305,708
Total	3,121	\$1,274,689,407	100.00	\$18,903	\$408,423

Table 7: Profile of New York State Investment Tax Credit by Major Industry Group - 1994 Liability Year

Credit Earned

Major Industry Group	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Unidentifiable	50	\$1,787,185	0.97	\$1,688	\$35,744
Agriculture	206	1,699,371	0.92	2,102	8,249
Mining	49	1,168,836	0.63	8,090	23,854
Construction	55	393,706	0.21	2,246	7,158
Manufacturing	2,110	152,972,308	82.83	5,754	72,499
Trans., Comm., Pub. Utilities Services	14	8,354,498	4.52	6,374	596,750
Wholesale Trade	169	2,028,251	1.10	2,963	12,001
Retail Trade	49	1,419,252	0.77	1,417	28,964
Finance, Insurance and Real Estate	46	10,674,106	5.78	5,255	232,046
Services	204	4,180,346	2.26	3,314	20,492
Total	2,952	\$184,677,859	100.00	\$4,482	\$62,560

Credit Claimed

Major Industry Group	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Unidentifiable	67	\$2,814,809	0.21	\$3,350	\$42,012
Agriculture	263	12,420,735	0.91	14,541	47,227
Mining	62	10,955,886	0.80	27,009	176,708
Construction	74	1,737,380	0.13	5,494	23,478
Manufacturing	2,636	1,215,193,263	88.84	20,942	460,999
Trans., Comm., Pub. Utilities Services	21	25,738,921	1.88	10,807	1,225,663
Wholesale Trade	232	8,768,069	0.64	7,927	37,793
Retail Trade	87	2,926,408	0.21	3,936	33,637
Finance, Insurance and Real Estate	72	45,244,928	3.31	18,651	628,402
Services	293	42,060,564	3.07	8,265	143,551
Total	3,807	\$1,367,860,963	100.00	\$16,517	\$359,302

Table 7: Profile of New York State Investment Tax Credit by Major Industry Group - 1994 Liability Year

Credit Used

Major Industry Group	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Unidentifiable	27	\$17,040	0.02	\$345	\$631
Agriculture	168	487,496	0.57	582	2,902
Mining	43	591,801	0.70	1,957	13,763
Construction	52	348,250	0.41	1,725	6,697
Manufacturing	1,959	69,589,940	81.78	2,334	35,523
Trans., Comm., Pub. Utilities Services	13	7,373,657	8.67	2,350	567,204
Wholesale Trade	175	1,623,045	1.91	1,370	9,275
Retail Trade	52	831,859	0.98	964	15,997
Finance, Insurance and Real Estate	60	2,448,752	2.88	1,992	40,813
Services	170	1,778,192	2.09	1,546	10,460
Total	2,719	\$85,090,032	100.00	\$1,806	\$31,295

Credit Carried Forward

Major Industry Group	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Unidentifiable	63	\$1,134,200	0.09	\$3,350	\$18,003
Agriculture	251	11,870,328	0.93	15,032	47,292
Mining	53	10,253,928	0.80	28,181	193,470
Construction	60	1,388,929	0.11	6,058	23,149
Manufacturing	2,159	1,139,716,710	89.41	25,116	527,891
Trans., Comm., Pub. Utilities Services	15	18,365,264	1.44	14,281	1,224,351
Wholesale Trade	166	6,998,208	0.55	8,286	42,158
Retail Trade	65	2,092,433	0.16	4,496	32,191
Finance, Insurance and Real Estate	47	42,796,171	3.36	50,367	910,557
Services	242	40,073,236	3.14	12,357	165,592
Total	3,121	\$1,274,689,407	100.00	\$18,903	\$408,423

Table 8: Profile of New York State Investment Tax Credit by Size of Entire Net Income - 1994 Liability Year

Credit Earned

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Zero or Net Loss	830	\$68,495,071	37.09	\$3,634	\$82,524
\$ 1 - \$ 99,999	997	5,929,785	3.21	1,796	5,948
\$ 100,000 - \$ 499,999	482	7,110,605	3.85	5,167	14,752
\$ 500,000 - \$ 999,999	141	4,726,702	2.56	13,561	33,523
\$ 1,000,000 - \$ 24,999,999	387	25,837,120	13.99	26,736	66,763
\$ 25,000,000 - \$ 49,999,999	27	4,945,623	2.68	50,970	183,171
\$ 50,000,000 - \$ 99,999,999	37	20,352,661	11.02	66,681	550,072
\$100,000,000 - \$499,999,999	42	19,722,934	10.68	194,216	469,594
\$500,000,000 and Over	9	27,557,358	14.92	923,270	3,061,929
Total	2,952	\$184,677,859	100.00	\$4,482	\$62,560

Credit Claimed

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Zero or Net Loss	1,208	\$737,836,081	53.94	\$15,869	\$610,791
\$ 1 - \$ 99,999	1,374	50,419,796	3.69	8,423	36,696
\$ 100,000 - \$ 499,999	541	51,605,958	3.77	20,451	95,390
\$ 500,000 - \$ 999,999	151	27,864,144	2.04	43,879	184,531
\$ 1,000,000 - \$ 24,999,999	411	128,981,819	9.43	77,640	313,824
\$ 25,000,000 - \$ 49,999,999	28	31,386,514	2.29	389,824	1,120,947
\$ 50,000,000 - \$ 99,999,999	41	104,948,051	7.67	89,593	2,559,709
\$100,000,000 - \$499,999,999	44	58,269,476	4.26	361,231	1,324,306
\$500,000,000 and Over	9	176,549,124	12.91	1,060,886	19,616,569
Total	3,807	\$1,367,860,963	100.00	\$16,517	\$359,302

Table 8: Profile of New York State Investment Tax Credit by Size of Entire Net Income - 1994 Liability Year

Credit Used

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Zero or Net Loss	627	\$6,102,479	7.17	\$1,099	\$9,733
\$ 1 - \$ 99,999	930	911,573	1.07	699	980
\$ 100,000 - \$ 499,999	504	2,197,810	2.58	3,376	4,361
\$ 500,000 - \$ 999,999	144	1,843,840	2.17	12,402	12,804
\$ 1,000,000 - \$ 24,999,999	393	18,079,249	21.25	26,861	46,003
\$ 25,000,000 - \$ 49,999,999	28	4,235,861	4.98	55,222	151,281
\$ 50,000,000 - \$ 99,999,999	41	5,250,889	6.17	72,170	128,070
\$100,000,000 - \$499,999,999	43	21,457,779	25.22	215,375	499,018
\$500,000,000 and Over	9	25,010,552	29.39	379,013	2,778,950
Total	2,719	\$85,090,032	100.00	\$1,806	\$31,295

Credit Carried Forward

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Zero or Net Loss	1,093	\$727,731,666	57.09	\$18,077	\$665,811
\$ 1 - \$ 99,999	1,229	49,038,516	3.85	9,674	39,901
\$ 100,000 - \$ 499,999	394	48,447,924	3.80	34,282	122,964
\$ 500,000 - \$ 999,999	104	25,610,260	2.01	84,179	246,253
\$ 1,000,000 - \$ 24,999,999	247	110,214,685	8.65	140,544	446,213
\$ 25,000,000 - \$ 49,999,999	16	27,150,653	2.13	1,351,052	1,696,916
\$ 50,000,000 - \$ 99,999,999	16	99,697,162	7.82	1,250,470	6,231,073
\$100,000,000 - \$499,999,999	19	35,259,969	2.77	404,705	1,855,788
\$500,000,000 and Over	3	151,538,572	11.89	9,942,759	50,512,857
Total	3,121	\$1,274,689,407	100.00	\$18,903	\$408,423

Table 9: Profile of New York State Investment Tax Credit by Size of Credit Used - 1994 Liability Year

Credit Earned

Size of Credit Used	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Negative	d	d	d	d	d
Zero	710	27,200,545	14.73	2,518	38,311
\$ 1 - \$ 499	419	2,949,185	1.60	960	7,039
\$ 500 - \$ 999	d	d	d	d	d
\$ 1,000 - \$ 4,999	693	9,119,631	4.94	3,063	13,160
\$ 5,000 - \$ 9,999	218	14,234,040	7.71	7,501	65,294
\$ 10,000 - \$ 24,999	272	12,045,779	6.52	18,456	44,286
\$ 25,000 - \$ 49,999	129	9,250,258	5.01	40,810	71,707
\$ 50,000 - \$ 99,999	87	8,035,371	4.35	64,033	92,361
\$100,000 - \$499,999	96	51,823,494	28.06	212,947	539,828
\$500,000 and Over	20	48,178,944	26.09	992,610	2,408,947
Total	2,952	\$184,677,859	100.00	\$4,482	\$62,560

Credit Claimed

Size of Credit Used	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Negative	10	(\$349,685)	(0.03)	(\$5,790)	(\$34,969)
Zero	1,088	146,739,812	10.73	11,626	134,871
\$ 1 - \$ 499	602	22,111,202	1.62	4,565	36,730
\$ 500 - \$ 999	387	11,998,128	0.88	9,062	31,003
\$ 1,000 - \$ 4,999	835	66,984,404	4.90	14,117	80,221
\$ 5,000 - \$ 9,999	238	40,803,983	2.98	22,649	171,445
\$ 10,000 - \$ 24,999	294	69,311,244	5.07	63,666	235,753
\$ 25,000 - \$ 49,999	138	68,395,236	5.00	116,175	495,618
\$ 50,000 - \$ 99,999	92	53,147,643	3.89	159,565	577,692
\$100,000 - \$499,999	101	652,594,317	47.71	491,601	6,461,330
\$500,000 and Over	22	236,124,679	17.26	2,127,652	10,732,940
Total	3,807	\$1,367,860,963	100.00	\$16,517	\$359,302

Note: "Negative" means recapture exceeds amount of available credit.
"d" means disclosure is not possible due to confidentiality.

Table 9: Profile of New York State Investment Tax Credit by Size of Credit Used - 1994 Liability Year

Credit Used

Size of Credit Used	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Negative	10	(\$349,685)	(0.41)	(\$5,790)	(\$34,969)
Zero	0	0	0.00	0	0
\$ 1 - \$ 499	602	139,839	0.16	210	232
\$ 500 - \$ 999	387	284,299	0.33	733	735
\$ 1,000 - \$ 4,999	835	1,929,854	2.27	2,057	2,311
\$ 5,000 - \$ 9,999	238	1,662,371	1.95	6,834	6,985
\$ 10,000 - \$ 24,999	294	4,743,953	5.58	15,381	16,136
\$ 25,000 - \$ 49,999	138	4,865,186	5.72	34,564	35,255
\$ 50,000 - \$ 99,999	92	6,308,914	7.41	66,001	68,575
\$100,000 - \$499,999	101	21,933,080	25.78	182,714	217,159
\$500,000 and Over	22	43,572,221	51.21	913,103	1,980,556
Total	2,719	\$85,090,032	100.00	\$1,806	\$31,295

Credit Carried Forward

Size of Credit Used	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Negative	0	\$0	0.00	\$0	\$0
Zero	1,055	144,109,681	11.31	12,083	136,597
\$ 1 - \$ 499	464	21,835,312	1.71	8,484	47,059
\$ 500 - \$ 999	319	11,686,515	0.92	12,742	36,635
\$ 1,000 - \$ 4,999	659	63,156,841	4.95	21,060	95,837
\$ 5,000 - \$ 9,999	158	38,804,175	3.04	45,172	245,596
\$ 10,000 - \$ 24,999	213	63,598,520	4.99	125,430	298,585
\$ 25,000 - \$ 49,999	102	62,997,678	4.94	159,641	617,624
\$ 50,000 - \$ 99,999	69	46,838,718	3.67	265,335	678,822
\$100,000 - \$499,999	69	630,465,817	49.46	668,375	9,137,186
\$500,000 and Over	13	191,196,150	15.00	2,204,201	14,707,396
Total	3,121	\$1,274,689,407	100.00	\$18,903	\$408,423

Note: "Negative" means recapture exceeds amount of available credit.

Table 10: Profile of New York State Special Additional Mortgage Recording Credit by Basis of Taxation - 1994 Liability Year

Credit Earned

Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Entire Net Income	d	d	d	d	d
Fixed Dollar Minimum Tax	25	3,517,961	82.55	1,875	140,718
Capital Base	30	294,060	6.90	1,000	9,802
Alternative Minimum Tax	d	d	d	d	d
Total	66	\$4,261,641	100.00	\$1,441	\$64,570

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	3	\$14,554	0.23	\$629	\$4,851
Fixed Dollar Minimum Tax	46	5,311,771	85.73	2,109	115,473
Capital Base	34	300,966	4.86	1,165	8,852
Alternative Minimum Tax	26	568,576	9.18	3,707	21,868
Total	109	\$6,195,867	100.00	\$1,875	\$56,843

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	3	\$14,554	1.44	\$629	\$4,851
Fixed Dollar Minimum Tax	38	427,201	42.33	419	11,242
Capital Base	34	300,966	29.82	1,165	8,852
Alternative Minimum Tax	14	266,451	26.40	2,445	19,032
Total	89	\$1,009,172	100.00	\$875	\$11,339

Credit Carried Forward

Basis of Taxation	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Entire Net Income	0	\$0	0.00	\$0	\$0
Fixed Dollar Minimum Tax	41	4,884,569	94.18	2,023	119,136
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	19	302,125	5.83	3,753	15,901
Total	60	\$5,186,694	100.00	\$2,675	\$86,445

Note: "d" means disclosure is not possible due to confidentiality.

Table 11: Profile of New York State Alternative Minimum Tax Credit by Basis of Taxation - 1994 Liability Year

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	571	\$3,226,330	54.34	\$381	\$5,650
Fixed Dollar Minimum Tax	86	176,345	2.97	182	2,051
Capital Base	17	28,358	0.48	500	1,668
Alternative Minimum Tax	294	2,506,458	42.21	648	8,525
Total	968	\$5,937,491	100.00	\$458	\$6,134

Table 12: Profile of New York State Alternative Minimum Tax Credit by Major Industry Group - 1994 Liability Year

Credit Used

Major Industry Group	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Unidentifiable	29	\$7,600	0.13	\$116	\$262
Agriculture	d	d	d	d	d
Mining	d	d	d	d	d
Construction	112	352,738	5.94	540	3,149
Manufacturing	155	1,364,627	22.98	1,334	8,804
Trans., Comm., Pub. Utilities					
Services	32	81,289	1.37	810	2,540
Wholesale Trade	124	496,017	8.35	547	4,000
Retail Trade	121	129,340	2.18	245	1,069
Finance, Insurance and Real Estate	106	2,718,710	45.79	536	25,648
Services	279	764,627	12.88	332	2,741
Total	968	\$5,937,491	100.00	\$458	\$6,134

Note: "d" means disclosure is not possible due to confidentiality.

Table 13: Profile of New York State Alternative Minimum Tax Credit by Size of Entire Net Income - 1994 Liability Year

Credit Used

Size of Entire Net Income	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Zero or Net Loss	46	\$149,242	2.51	\$752	\$3,244
\$ 1 - \$ 99,999	572	258,513	4.35	218	452
\$ 100,000 - \$ 499,999	173	408,900	6.89	1,553	2,364
\$ 500,000 - \$ 999,999	35	213,743	3.60	3,665	6,107
\$ 1,000,000 - \$ 24,999,999	123	2,617,341	44.08	6,545	21,279
\$ 25,000,000 - \$ 49,999,999	7	231,284	3.90	24,559	33,041
\$ 50,000,000 - \$ 99,999,999	d	d	d	d	d
\$100,000,000 - \$499,999,999	8	1,643,573	27.68	79,299	205,447
\$500,000,000 and Over	d	d	d	d	d
Total	968	\$5,937,491	100.00	\$458	\$6,134

Note: "d" means disclosure is not possible due to confidentiality.

Table 14: Profile of New York State Alternative Minimum Tax Credit by Size of Credit Used - 1994 Liability Year

Credit Used

Size of Credit Used	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Negative	0	\$0	0.00	\$0	\$0
Zero	0	0	0.00	0	0
\$ 1 - \$ 499	511	89,096	1.50	129	174
\$ 500 - \$ 999	122	88,382	1.49	711	724
\$ 1,000 - \$ 4,999	209	461,727	7.78	1,983	2,209
\$ 5,000 - \$ 9,999	48	339,090	5.71	6,682	7,064
\$ 10,000 - \$ 24,999	42	618,581	10.42	13,444	14,728
\$ 25,000 - \$ 49,999	15	558,626	9.41	36,950	37,242
\$ 50,000 - \$ 99,999	d	d	d	d	d
\$100,000 - \$499,999	11	1,924,361	32.41	143,990	174,942
\$500,000 and Over	d	d	d	d	d
Total	968	\$5,937,491	100.00	\$458	\$6,134

Note: "Negative" means recapture exceeds amount of available credit.

"d" means disclosure is not possible due to confidentiality.

Table 15: Profile of New York State EDZ Wage Credit by Basis of Taxation - 1994 Liability Year

Credit Earned

Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Entire Net Income	5	\$43,518	2.83	\$9,551	\$8,704
Fixed Dollar Minimum Tax	8	429,625	27.95	7,248	53,703
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	26	1,064,139	69.22	11,313	40,928
Total	39	\$1,537,282	100.00	\$10,125	\$39,417

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	5	\$43,518	2.83	\$9,551	\$8,704
Fixed Dollar Minimum Tax	8	429,625	27.95	7,248	53,703
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	26	1,064,139	69.22	11,313	40,928
Total	39	\$1,537,282	100.00	\$10,125	\$39,417

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	5	\$43,518	15.65	\$9,551	\$8,704
Fixed Dollar Minimum Tax	3	6,914	2.49	1,250	2,305
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	19	227,559	81.86	1,485	11,977
Total	27	\$277,991	100.00	\$1,495	\$10,296

Credit Carried Forward

Basis of Taxation	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Entire Net Income	0	\$0	0.00	\$0	\$0
Fixed Dollar Minimum Tax	8	416,898	35.08	4,716	52,112
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	17	771,664	64.92	16,688	45,392
Total	25	\$1,188,562	100.00	\$12,495	\$47,542

Table 16: Profile of New York State EDZ Investment Credit by Basis of Taxation - 1994 Liability Year

Credit Earned

Basis of Taxation	Number of Taxpayers	Amount of Credit Earned	% of Credit Earned	Median Credit Earned	Mean Credit Earned
Entire Net Income	d	d	d	d	d
Fixed Dollar Minimum Tax	10	1,027,200	20.92	26,348	102,720
Capital Base	d	d	d	d	d
Alternative Minimum Tax	37	3,875,896	78.92	20,483	104,754
Total	51	\$4,911,026	100.00	\$19,268	\$96,295

Credit Claimed

Basis of Taxation	Number of Taxpayers	Amount of Credit Claimed	% of Credit Claimed	Median Credit Claimed	Mean Credit Claimed
Entire Net Income	d	d	d	d	d
Fixed Dollar Minimum Tax	12	4,727,416	41.92	63,286	393,951
Capital Base	d	d	d	d	d
Alternative Minimum Tax	41	6,497,995	57.62	44,573	158,488
Total	58	\$11,277,246	100.00	\$41,914	\$194,435

Credit Used

Basis of Taxation	Number of Taxpayers	Amount of Credit Used	% of Credit Used	Median Credit Used	Mean Credit Used
Entire Net Income	3	\$4,721	1.39	\$883	\$1,574
Fixed Dollar Minimum Tax	4	28,584	8.40	4,541	7,146
Capital Base	0	0	0.00	0	0
Alternative Minimum Tax	17	306,953	90.21	1,578	18,056
Total	24	\$340,258	100.00	\$1,504	\$14,177

Credit Carried Forward

Basis of Taxation	Number of Taxpayers	Amount of Credit Carried Forward	% of Credit Carried Forward	Median Credit Carried Forward	Mean Credit Carried Forward
Entire Net Income	d	d	d	d	d
Fixed Dollar Minimum Tax	11	4,643,984	45.04	46,427	422,180
Capital Base	d	d	d	d	d
Alternative Minimum Tax	37	5,619,393	54.50	35,655	151,875
Total	51	\$10,310,492	100.00	\$40,013	\$202,167

Note: "d" means disclosure is not possible due to confidentiality.

Appendix A: Credit Provisions Effective for Tax Years Beginning Prior to January 1, 1995

Investment Tax Credit

For tax years beginning on or after December 31, 1968, the investment tax credit (ITC) equaled 1 percent of the cost of new or expanded manufacturing production facilities located in New York State. By 1982, the rate had grown to 6 percent.

For tax years beginning in 1987, 1988 and 1989, the rate dropped to 5 percent of the first \$500 million of investments, and 4 percent for investments over that amount. For tax years beginning in 1990, the \$500 million threshold dropped to \$425 million and then to \$350 million for subsequent tax years.

In addition, taxpayers who met certain employment tests could qualify for the employment incentive credit (EIC). Prior to 1987, this credit equaled one-half of the investment credit. It was available for up to three years following the tax year in which the taxpayer earned the ITC. However, employment in such years must have equaled at least 101 percent of the employment in the year immediately before the ITC was first claimed.¹

For investments made on or after January 1, 1987, the EIC is a two-year credit described in the following table:

History of Tax Rates of the Employment Incentive Credit	Year Property is Placed in Service	Average Number of Employees During the Tax Year Expressed as a Percentage of those in the Employment Base Year	Additional Credit as a Percentage of the Investment Credit Base
	Tax Years Beginning in 1987, 1988 or 1989	At least 101%	2% of the first \$500 million 2.5% in excess of \$500 million
	Tax Years Beginning in 1990	At least 101%, but less than 101.5%	2% of the applicable ITC base
		In excess of 101.5%	2.5% of the applicable ITC base
	Tax Years Beginning After 1990	At least 101%, but less than 102%	1.5% of the applicable ITC base
		At least 102%, but less than 103%	2% of the applicable ITC base
		At least 103%	2.5% of the applicable ITC base

Research and Development Tax Credit

For tax years beginning on or after January 1, 1987, the research and development tax credit previously allowed under section 210.18 of the Tax Law was consolidated into the ITC provisions. Although the separate credit has been repealed, any unused credit may be carried forward to any tax year beginning before January 1, 1994.²

Credit for Research and Development Property Under the ITC

Research and development property acquired on or after January 1, 1987 qualifies for the ITC. Taxpayers may elect the regular ITC rate including the EIC, or an optional rate on R&D property of 9 percent for taxable years beginning in 1990. If taxpayers elect the higher rate, they cannot claim the EIC on the same investment.

Special Additional Mortgage Recording Tax Credit

A credit is allowed equal to the State special additional mortgage recording tax paid on mortgages recorded after December 31, 1978. The special additional mortgage recording tax is imposed at the rate of 25 cents per \$100 on the indebtedness secured by a mortgage recorded on or after July 1, 1969. A tax credit is not allowed for the special additional mortgage recording tax paid on residential mortgages recorded after May 1, 1987, where the real property is located in Erie County or one or more of the counties comprising the Metropolitan Commuter Transportation District.³

Job Incentive
(Eligible Business
Facility) Credit

Enacted in 1968, the job incentive credit applied to manufacturing and wholesaling firms. To claim the credit, the firm must have located, expanded or improved their facilities in core areas of the State's six largest cities. They must also have provided employment and training to residents of these areas. Subsequent legislation expanded the program to cover all of New York State. Legislation enacted in 1983 terminated the program. However, applications approved before July 1, 1983 continued in effect. This credit sunsets for tax years beginning on or after January 1, 2000.

The amount of credit equaled a percentage, based on eligible wages and property in the core area, applied to liability. A taxpayer could not have claimed both the job incentive credit and another credit for the same investment.

Economic
Development Zone
(EDZ) Credits

In 1986, New York State enacted legislation to stimulate growth in economically distressed communities. The program provides a package of tax incentives for businesses that invest or provide jobs in designated economic development zones (EDZs). Credits available to Article 9-A taxpayers include the wage credit, the capital corporations credit, and an investment tax credit.

EDZ Wage Credit

Eligible taxpayers may claim a wage tax credit for up to five years for doing business and creating jobs in an EDZ. The credit differs for targeted and nontargeted employees. A higher credit rate applies to wages paid to targeted employees (i.e., those with low incomes or on public assistance).

The credit equals 25 percent of targeted eligible wages for the first tax year, declining by 5 percent per year for each of the following five years. The corresponding credit for non-targeted employees equals one-half of these amounts. The total credit cannot exceed 50 percent of tax due.

To qualify for the credit, taxpayers must fill 20 percent of new zone jobs with zone residents, or with residents of census tracts bordering the EDZ. In addition, the employer must show a statewide and zonewide net employment gain. Ceilings limit the credits.

EDZ Investment Tax
Credit

Production property acquired or built in an EDZ may qualify for an ITC of 10 percent. Like the regular ITC and other credits, this credit cannot reduce the tax due for any year to less than the higher of the tax on the minimum income base or the fixed dollar minimum. However, unlike other credits, corporations may carry forward any unused EDZ-ITC indefinitely.

An additional 3 percent credit rate (30 percent of the ITC) applies in the three years following the year in which the corporation claimed the ITC. To qualify for this second credit, the taxpayer's employment in the EDZ (excluding general executive officers) must equal at least 101 percent of the average employment in the year prior to earning the ITC.

EDZ Capital Corporation
Tax Credit

Under the corporation franchise tax a credit may apply to the consideration paid for original issue stock purchased from an economic development zone capital corporation. These are corporations designed to raise money for investment in zone businesses. The credit equals 25 percent of the amount paid for the stock, up to a lifetime maximum of \$100,000. In any tax year, the credit cannot exceed 50 percent of the taxpayer's pre-credit liability. Taxpayers may carry forward unused amounts indefinitely. A recapture provision applies if the taxpayer disposes of the investment that provided the basis of the credit within 36 months of acquisition.

Alternative Minimum
Tax Credit

Taxpayers began to accumulate the alternative minimum tax (AMT) credit in 1990. Beginning in 1991, taxpayers can claim the AMT credit against their regular tax (entire net income base) for a portion of AMT paid in 1990 and subsequent years. A taxpayer could use the AMT credit to reduce their regular tax liability to the fixed dollar minimum or the minimum taxable income base, whichever was higher.

The calculation of the minimum tax credit involves a two-step process. The taxpayer calculates a "tentative" minimum tax by subtracting from the minimum tax the highest of the tax on entire net income, the tax on business and investment capital or the fixed dollar minimum tax. In the second step, corporations recalculate the minimum tax they would have paid, accounting for only two specific tax preferences. The first is the preference related to depletion under IRC Section 57(a)(1). The second is the preference related to the appreciated property charitable deduction under IRC Section 57(a)(6)(b). Prior to 1994, both minimum tax calculations disallow the NOL deduction, and require single weighting of the receipts factor. Corporations reduce this recalculated minimum tax by the highest of the tax on entire net income, the tax on business and investment capital or the fixed dollar minimum tax. The result of subtracting the recalculated minimum tax credit from the "tentative" minimum tax credit equals the minimum tax credit available for subsequent years.

Fixed Dollar
Minimum Tax

New York's corporate franchise tax law currently imposes a fixed dollar minimum tax, which varies according to a taxpayer's gross payroll.

Gross Payroll Amount	Fixed Dollar Amount
\$6,250,000 or more	\$1,500
\$1,000,001 to \$6,250,000	\$ 425
\$1,000,000 or less	\$ 325

A fixed dollar minimum of \$800 applies to essentially inactive (i.e., shell) corporations that meet certain conditions, including:

- gross payroll of \$1,000 or less;
- total gross (i.e., everywhere) receipts of \$1,000 or less; and
- gross assets with an average value of \$1,000 or less.

Changes in 1994-95 State Budgets

The 1994-1995 State Budget made significant changes to certain corporate tax credit provisions. The highlights include:⁴

- Investment Tax Credit and Employment Incentive Credit. For credits generated on or after January 1, 1987, the allowable credits carry forward period increases from 7 to 10 years. (This extension did not, however, apply to pre-1987 research and development credit.)
- Alternative Minimum Tax Credit. See above description.
- Zone Equivalent Area Wage Credit. See above description.

Changes in EDZ Program

In 1993 and 1994, New York State expanded and modified the economic development zone (EDZ) program. In 1993, the changes included simplifying the wage tax credit and the capital corporation credit. The computation of the wage tax credit was changed from a complex percentage of wages method to a flat dollar amount per newly hired employee. This change and the expansion of the capital corporation credit were intended to increase participation in the program.

In 1994, the program was expanded to also provide a wage tax credit for businesses that increased employment in areas eligible for EDZ designation. These areas are called zone equivalent areas (ZEAs).

The changes to the EDZ credits that were enacted in 1993 and 1994 were effective for tax years beginning on or after January 1, 1994.

EDZ and ZEA Wage Credits

Beginning on or after January 1, 1994, the wage credit was simplified. The EDZ wage credit is now based on the average number of newly hired

employees. The first component of the credit equals the product of the average number of newly hired targeted EDZ employees multiplied by \$1,500. The corresponding credit amount for other employees equals the product of the average number of newly hired nontargeted EDZ employees receiving EDZ wages multiplied by \$750.

For tax years beginning on or after January 1, 1994, a similar credit is provided for eligible businesses located in ZEAs. Taxpayers employing individuals in ZEAs may claim a two-year wage tax credit for EDZ wages paid to full-time employees in a ZEA. In year one, the credit equals \$1,000 multiplied by the average number of newly hired targeted employees and \$500 multiplied by the average number of newly hired nontargeted employees. In year two, the credit decreases to \$500 per targeted employee and \$250 per nontargeted employee.

The total EDZ or ZEA wage tax credit cannot exceed 50 percent of tax due (before credits). Taxpayers may carry forward unused credits indefinitely. In lieu of a carryforward, “new business” taxpayers may elect to have unused credit refunded.

EDZ Investment Tax
Credit (EDZ-ITC)

Effective January 1, 1994, the EDZ-ITC was amended to allow new businesses to elect a refund of the unused credit in lieu of a carryforward. Remaining provisions of the EDZ-ITC did not change.

EDZ Capital Corporation
Credit

For tax years beginning on or after January 1, 1994, the law was amended to allow the EDZ capital credit for investments in capital corporations, direct equity investments in certified zone businesses, and contributions to community development projects. The new credit equals 25 percent of the sum of each type of investment. The lifetime maximum credit per taxpayer equals \$300,000.

Changes in Special
Additional Mortgage
Recording Tax Credit

For periods beginning on or after 1994, taxpayers may elect to treat the unused portion of the special additional mortgage recording tax credit as an overpayment to be credited or refunded.

Changes in
Alternative Minimum
Tax Credit

Effective for taxable years beginning in 1994, taxpayers are permitted an alternative minimum tax (AMT) credit against regular (ENI-based) tax liability for part of the net operating loss deduction not used in computing the AMT. Taxpayers may calculate the AMT credit retroactively for taxable years after 1989 and carry forward the credit indefinitely. The pre-1994 net operating loss component is subject to a five-year transition rule, beginning in taxable years after 1993 and ending before 1999. Under the transition rule, a taxpayer may use up to 20 percent of the

credit in each of the five years beginning with the 1994 tax year. The taxpayer will have available the remainder of any unused credit for tax years after 1999.

Endnotes

1. Effective for credits generated on or after January 1, 1987, the allowable carry forward of the investment tax credit and employment incentive credit increased from 7 to 10 years. The cutoff of pre-1987 investment tax credit carry forwards was extended from 1994 to 1997.

2. The research and development credit carry forward under section 210.18, which applied to any tax year beginning before January 1, 1994, was not, in contrast to the investment tax credit research and development property credit carry forward, extended to 1997 under legislation enacted in 1994.

3. Taxpayers may request a refund of special additional mortgage recording tax credit earned after January 1, 1994.

4. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, New York State Fiscal Year 1994-95 Budget: Summary of Tax Provisions (June 1994) for more details on changes to credit provisions.

Appendix B: Highlights of Changes Effective for Tax Years Beginning On or After January 1, 1995

Changes in 1995-96 State Budget

The 1995-1996 Budget contained no changes to existing corporate tax credit provisions.

Changes in 1996-97 State Budget

The 1996-97 State Budget contained two significant tax law changes affecting corporate tax credit provisions. These included the following:¹

- *Credit for Rehabilitation of Historic Barns*

Effective for taxable years beginning on or after January 1, 1997, the investment tax credit (ITC) was expanded to allow a corporate franchise tax credit for the rehabilitation of historic barns in New York State.

The credit equals 25 percent of qualified rehabilitation expenditures paid or incurred for any barn located in New York State that is a qualified rehabilitated building. The definition of a qualified rehabilitated building has the same meaning as a “qualified rehabilitated building” for purposes of the federal rehabilitation credit under section 47 of the Internal Revenue Code. For purposes of the historic barn credit, a barn is defined as a building originally designed and used for storing farm equipment or agricultural products or for housing livestock, but does not include barns converted to residential purposes. In accordance with federal law for rehabilitation of historic buildings, the barn being rehabilitated must have been placed in service before the commencement of the rehabilitation work, and it either must be a certified historic structure or must have been first placed in service before 1936. It only qualifies for the credit based on substantial rehabilitation. Generally, a building will have been considered substantially rehabilitated only if the expenditures exceed the greater of the adjusted basis of the barn or \$5,000. A taxpayer may not claim both the regular investment tax credit on manufacturing property and the investment tax credit for rehabilitation of historic barns on the same property.

- *Agricultural Property Tax Credit*

Effective for taxable years beginning in 1997, eligible farmers may claim a real property tax credit against the corporate franchise tax. The credit is available to an eligible farmer defined as a taxpayer whose gross income from farming is at least 2/3 of total gross income. The credit equals the total school district property taxes paid on qualified agricultural property in the State up to the acreage limitation, and 50 percent of the school taxes paid on acres in excess of the limitation. The acreage limitation equals 100 acres in 1997, 175 acres in 1998, and 250 acres after 1998. The credit is phased out for taxpayers with New York adjusted gross income (entire net income) in excess of \$100,000. Recapture provisions require an addback of the credit if the taxpayer converts the property to a nonqualified use in the 2 years subsequent to the first year of the credit.

Changes in 1997-98 State Budget

The 1997-98 State Budget expanded existing credit provisions and also contained a new tax credit for alternative fuel vehicles and alternative fuel refueling property.²

- *Investment Tax Credit Carryforward*

The 1997-98 Budget extended the investment tax credit carryforward period from ten to 15 years. Any unused pre-1987 credits will now be available until 2002 to provide relief for businesses. Post-1986 credits will have a 15-year carryforward.

- *Alternative Fuels Vehicle Credit*

Corporate franchise taxpayers may claim credits for electric vehicles; clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. The tax credits are available for property placed in service in taxable years beginning on or after January 1, 1998 and before 2003. The credits may be transferred to Article 9-A affiliates.

The tax credits equal 50 percent of the incremental cost of new electric vehicles registered in New York (capped at \$5,000 per vehicle); 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at \$5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and \$10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.

Agricultural Property Tax
Credit

The 1997-98 Budget amended the farm school property tax credit for tax years beginning on or after January 1, 1998. For corporations, excess federal gross income for determination of the 2/3 farming income test equals federal gross income from all sources in excess of \$30,000.

The income limitation which phases out the credit was modified such that payments on principal on farm indebtedness may be subtracted from New York State entire net income in order to calculate the income limitation.

The changes clarified that gross income from production of maple syrup, or cider, or sale of wine from a licensed farm winery, shall be included in "federal gross income from farming" for purposes of determining the 2/3 farming income test.

Chapter 142 of the
Laws of 1997

Credit for Employers Who Hire Persons With Disabilities

Chapter 142 of the Laws of 1997 created a new tax credit for employers who hire individuals with disabilities.

The credit equals 35 percent of the first \$6,000 of first year wages paid to the disabled employee (a maximum of \$2,100 per employee). However, if the first year wages qualify for the federal work opportunity tax credit, the New York credit will apply to second year wages. The federal tax credit was extended to July 1, 1998.

To become eligible for the State credit, an employee must work for the employer on a full time basis for at least 180 days or 400 hours, and must be certified as disabled by the State Education Department. Visually handicapped employees may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

The credit becomes effective for tax years beginning on or after January 1, 1998, with respect to employees who begin work on or after January 1, 1997. Unused credits are not refundable, but they may be carried forward indefinitely.

Endnotes

1. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, Summary of 1996-97 Tax Provisions (August 1996) for more details on changes to credit provisions.

2. See New York State Department of Taxation and Finance, Office of Tax Policy Analysis, Summary of 1997-98 Tax Provisions (September 1997) for further descriptions of the credit provisions.

Appendix C: Legislative Mandate

Section 109(a) of the Business Tax Reform and Rate Reduction Act of 1987 (Chapter 817 of the Laws of 1987) requires the Commissioner of Taxation and Finance to conduct a study regarding corporate tax credits. The legislative mandate follows.

On or before December first, nineteen hundred eighty-eight and on or before December first of each year thereafter, the commissioner of taxation and finance shall submit a written report and such data and supporting documentation as are available and meaningful regarding the number of taxpayers claiming, using, and carrying forward tax credits and the total amount of such credits claimed, used, and carried forward and the median, mean and distribution of such credits for taxable years beginning during nineteen hundred eighty-four, and each subsequent year, to the extent that such information is available. Such reports shall present the latest information available reflecting amended returns filed by taxpayers and adjustments upon audit by taxpayer liability period as well as the impact of such credits upon state fiscal year revenues.

Copies of these reports shall be submitted by the commissioner of taxation and finance to the governor, the temporary president of the senate, the speaker of the assembly, the chairman of the senate finance committee and the chairman of the assembly ways and means committee. Such reports shall contain, but need not be limited to, information by industrial classification, by basis of taxation, by size of credit and taxpayer income ranges. In preparing such reports, the commissioner of taxation and finance shall ensure that the statistics are classified in a manner consistent with the secrecy requirements of tax law.

