NEW YORK STATE 2025

Department of Taxation and Finance

Instructions for Form CT-606

Claim for QEZE Credit for Real Property Taxes

CT-606-I

Expiration of Empire Zones Program

The New York State Empire Zones Program expired as of July 1, 2010. A business enterprise that was certified pursuant to Article 18-B of the General Municipal Law as of June 30, 2010, will be deemed certified under Article 18-B for purposes of the qualified empire zone enterprise (QEZE) real property tax credit for the remainder of its business tax benefit period and it may continue to claim the credit so long as it meets the requirements of the statute. However, any business that was required to obtain an empire zone (EZ) retention certificate but was denied one will not be eligible for the QEZE real property tax credit.

Important information

File Form CT-606 only to claim the QEZE credit for real property taxes.

Form CT-606 is divided into two sections. It is very important that you only complete the appropriate section.

You must **attach all pages** (1 through 8) to your return, even though you only completed one section. You must attach all certificates of eligibility, including EZ retention certificates. Flow-through entities such as partnerships, S corporations, and limited liability companies should distribute copies of the EZ retention certificate to their partners, shareholders, and members for use in filing their tax returns claiming the EZ credits.

All taxpayers must complete the information above Section 1 on page 1.

- QEZEs **first certified** prior to April 1, 2005: complete Section 1, Schedules A through G.
- QEZEs **first certified** between August 1, 2002, and March 31, 2005, that conduct operations on real property they own or lease that is located in an EZ and is subject to a brownfield site cleanup agreement (BCA) executed prior to January 1, 2006: complete Section 2, Schedules H through Q.
- QEZEs **first certified** on or after April 1, 2005: complete Section 2, Schedules H through Q.

Note: If you are certified in multiple zones, you must complete **only** Section 1 (pages 1 through 3) **or** Section 2 (pages 5 through 8) based on the effective date of the **first** certificate of eligibility issued by Empire State Development (ESD). **Do not complete both sections**.

Example: *Corporation A was certified in the Albany County Empire Zone on February 1, 2005 and does not conduct operations on real property that is subject to a BCA. On October 15, 2005, the corporation was also certified in the Buffalo Empire Zone. Because Corporation A was first certified on February 1, 2005, it must complete **only** Section 1 to compute its QEZE credit for real property taxes.*

General information for all QEZEs

The Empire Zones Program Act provides a credit for real property taxes for businesses certified as eligible to receive benefits under General Municipal Law (GML) Article 18-B and that qualify as a QEZE. This credit is available to taxpayers subject to tax under Tax Law, Article 9-A or Article 22 (personal income tax, see Form IT-606, *Claim for QEZE Credit for Real Property Taxes)*. Taxpayers who are not subject to tax under these articles are not eligible to claim the QEZE credit for real property taxes. This credit may not be applied against the metropolitan transportation business tax (MTA surcharge) or Article 13 (unrelated business income tax).

The QEZE credit for real property taxes is a credit against New York State corporate franchise and personal income taxes. The credit is for eligible real property taxes paid or incurred on real property owned, or in some cases, leased, by the QEZE that is located in an EZ in which the QEZE is certified.

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 amount is equal to the amount of credit originally taken, less the amount of credit recalculated using the reduced property taxes. If the taxes are reduced for more than one year, the QEZE must determine how much of the reduction is attributable to each year covered by the final order and calculate the amount of credit required to be recaptured for each year based on the reduction.

The QEZE credit for real property taxes may not reduce the tax to less than the fixed dollar minimum tax as computed under Article 9-A.

Any amount of the QEZE credit for real property taxes not deductible in the current tax year may be refunded without interest or applied as an overpayment against the tax liability for the next tax year.

Definitions for all QEZEs

A *qualified empire zone enterprise (QEZE)* is a business enterprise that is certified as eligible to receive benefits under GML Article 18-B prior to July 1, 2010, and that annually meets the employment test. A QEZE also includes a clean energy enterprise (CEE) certified under GML Article 18-B that annually meets the employment test.

Tax year means the tax year of the business enterprise under the Tax Law, Article 9, section 183, 184, or former section 186; or Article 9-A or 22.

Employment number means the average number of individuals, excluding general executive officers, employed full-time by the business enterprise for at least one-half of the tax year. For tax years beginning on or after January 1, 2005, all QEZEs will exclude from the employment number any individual employed within New York State in the immediately preceding 60 months by a related person to the QEZE (see definition of related person below).

The employment number will be computed for a QEZE's first tax year using only those employees employed full-time on the last day of the short tax year if the QEZE meets the following criteria:

- The QEZE acquires real or tangible property during its first tax year from an entity that is not a related person; and
- The QEZE has at least 190 full-time employees on the last day of the tax year, substantially all of whom were previously employed by the entity from which the taxpayer purchased its assets; and
- The QEZE has a first tax year of not more than seven months.

The term *related person* means a related person as defined in Internal Revenue Code (IRC) section 465(b)(3)(C) or an entity that would have qualified as a related person if it had not been dissolved, liquidated, merged with another entity, or otherwise ceased to exist or operate.

The information below represents the Internal Revenue Service (IRS) interpretation of the definition of related persons in the IRC section 465(b)(3)(C) as contained in IRS Publication 925, *Passive Activity and At-Risk Rules*. When preparing your tax return, you should refer to section 465(b)(3)(C) to see if the definition of related persons has been amended.

Related persons include the following:

- Members of a family, but only an individual's siblings, half-siblings, a spouse, ancestors (parents, grandparents, and so on), and lineal descendants (children, grandchildren, and so on).
- Two corporations that are members of the same controlled group of corporations determined by applying a 10% ownership test
- The fiduciaries of two different trusts, or the fiduciary and beneficiary of two different trusts, if the same person is the grantor of both trusts
- A tax-exempt educational or charitable organization and a person who directly or indirectly controls it (or a member of whose family controls it)
- A corporation and an individual who owns directly or indirectly more than 10% of the value of the outstanding stock of the corporation
- A trust fiduciary and a corporation of which more than 10% in value of the outstanding stock is owned directly or indirectly by or for the trust or by or for the grantor of the trust

- The grantor and fiduciary, or the fiduciary and beneficiary, of any trust
- A corporation and a partnership if the same persons own over 10% in value of the outstanding stock of the corporation and more than 10% of the capital interest or the profits interest in the partnership
- Two S corporations if the same persons own more than 10% in value of the outstanding stock of each corporation
- An S corporation and a regular corporation if the same persons own more than 10% in value of the outstanding stock of each corporation
- A partnership and a person who owns directly or indirectly more than 10% of the capital or profits of the partnership
- Two partnerships if the same persons directly or indirectly own more than 10% of the capital or profits of each
- Two persons who are engaged in business under common control [within the meaning of IRC section 52(a) and (b)]; and
- An executor of an estate and a beneficiary of that estate

To determine the direct or indirect ownership of the outstanding stock of a corporation, apply the following rules:

1. Stock owned directly or indirectly by or for a corporation, partnership, estate, or trust is considered owned proportionately by or for its shareholders, partners, or beneficiaries.
2. Stock owned directly or indirectly by or for an individual's family is considered owned by the individual. The family of an individual includes only siblings, half-siblings, a spouse, ancestors, and lineal descendants.
3. Any stock in a corporation owned by an individual (other than by applying rule 2) is considered owned directly or indirectly by the individual's partner.

When applying rule 1, 2, or 3, stock considered owned by a person under rule 1 is treated as actually owned by that person. However, if a person constructively owns stock because of rule 2 or 3, that person does not own the stock for purposes of applying either rule 2 or 3 to make another person the constructive owner of the same stock.

General executive officers are the chairman, president, vice president, secretary, assistant secretary, treasurer, assistant treasurer, comptroller, and any other officer charged with the general affairs of the corporation. A *general executive officer* is, therefore, an appointed or elected officer of the corporation having company-wide authority with respect to assigned functions or responsibility for an entire division of the company.

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 business (a business that regularly operates for less than an entire tax year, such as a ski resort) that employs individuals full-time for at least three months of continuous duration may include these individuals in the employment number if they are working in a job consisting of at least 35 hours per week.

Eligible real property taxes refers to taxes for the current tax year imposed on real property located in an EZ in which the QEZE is certified, provided that:

- the property is owned by the QEZE;
- the taxes become a lien on the property in a tax year in which the owner is certified and qualifies as a QEZE; and
- the owner paid the real property taxes, or a tenant paid the real property taxes. If a tenant paid the real property taxes, the owner may take the credit for those taxes paid by the tenant if the tenant does not qualify as a QEZE or if the taxes do not constitute eligible real property taxes for the tenant (see *Lessees* below).

The term *tax* means a charge imposed on real property by or on behalf of a county, city, town, village, or school district for municipal or school district purposes, provided that the charge is levied for the general public welfare by the proper taxing authorities at a like rate against all property in the territory over which such authorities have jurisdiction, and provided that where taxes are levied pursuant to Real Property Tax Law Article 18 or 19, the property must have been taxed at the rate determined for the class in which it is contained, as provided by such Article 18 or 19, whichever is applicable. The term *tax* does not include a charge for local benefits, including any portion of that charge that is properly allocated to the costs attributable to maintenance or interest, when (1) the property subject to the charge is limited to the property that benefits from the charge, or (2) the amount of the charge is determined by the benefit to the property assessed, or (3) the improvement for which the charge is assessed tends to increase the property value.

This definition of the term *tax* is effective for tax years beginning on or after January 1, 2010, and for all tax returns previously filed that are still open for refund or assessment under the statute of limitations. However, for tax years beginning before January 1, 2010, charges properly allocated to the costs attributable to maintenance or interest may be included in tax for purposes of this credit.

Lessees – Eligible real property taxes include taxes paid by a QEZE that is a lessee if:

- the taxes are paid under a written lease agreement executed or amended on or after June 1, 2005;
- the taxes become a lien on the property during a tax year in which the lessee is both certified and a QEZE; and
- the lessee made direct payment to the taxing authority and has received a receipt for the payment from the authority.

Payment in lieu of taxes (PILOT) payments – Eligible real property taxes include PILOT payments made by the QEZE to the state, a municipal corporation, or a public benefit corporation. PILOT payments made by the QEZE under a written agreement executed or amended on or after January 1, 2001, are not eligible real property taxes in any tax year beginning on or after January 1, 2005, to the extent that the payment exceeds:

- the greater of the basis for federal income tax purposes on the certification date of real property (including buildings and structural components of buildings) owned by the QEZE and located in EZs for which it is certified or the basis on the last day of the tax year;
- multiplied by the county's full-value tax rate (For these rates, see the Tax Department's website at *www.tax.ny.gov)*. Use the full-value tax rates by county for the local fiscal year ending in the tax year immediately preceding this tax year.);
- divided by 1,000.

Note: The basis is calculated without regard to depreciation. If the basis is adjusted or reduced pursuant to any IRC provisions, the QEZE may petition the Tax Department, Department of Economic Development (DED), and Office of Real Property Tax Services (ORPTS) to disregard the adjustment or reduction for purposes of this calculation.

Instructions for corporations (other than New York S corporations)

If you are a corporation (other than a New York S corporation) that is eligible for the QEZE credit for real property taxes, and you are not claiming any other QEZE tax credits from flow-through entities (such as partnerships), complete either Section 1 or Section 2, and transfer the amount of credit or net recapture to your corporation franchise tax return, as instructed.

If you are a corporation that is a QEZE and eligible for this credit, and you also have QEZE credits for real property taxes from a partnership that is a QEZE, complete Form CT-606 as instructed above, and complete Form CT-604-CP, *Claim for QEZE Credit for Real Property Taxes and QEZE Tax Reduction Credit for Corporate Partners*, to compute the credits from the partnership. Add the total QEZE credit for real property taxes from both forms, and enter the result in the Form CT-606 credit box on your franchise tax return.

Instructions for corporate partners

Use Form CT-604-CP if you are receiving flow-through credits from a partnership. Your partnership will provide you with the information you need to calculate these credits.

Instructions for New York S corporations

If you are a New York S corporation, compute the QEZE credit for real property taxes using either Section 1 or Section 2, and provide your shareholders with their pro rata share of the credit or net recapture.

Complete Form CT-606 as follows:

1. Complete **either** Section 1 **or** Section 2, whichever is applicable. If Section 1 is applicable, **do not** complete Schedule E. If Section 2 is applicable, **do not** complete Schedule O.
2. Transfer any positive amount on line 21 or line 55 to Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule,* and provide your shareholders with their pro rata share of this amount.

   If there is a negative amount (net recapture) on line 19 or line 55, transfer that amount as a positive number to Form CT-34-SH.

If you are a corporate partner passing on to your shareholders credit from a partnership and you are not passing credit earned by you, **do not** complete this form. Instead, the S corporation must use Form CT-34-SH to report the real property tax credit flowed through from the partnership to the S corporation. Each individual shareholder can then compute the QEZE credit for real property taxes on Form IT-606, which is for personal income taxpayers.

Instructions for shareholders of New York S corporations

Shareholders of New York S corporations **do not file** this form. Use Form IT-606 to claim your credit if you are an individual, estate, or trust. Your S corporation will provide you with your pro rata share of the real property tax credit.

Section 1 – For QEZEs first certified prior to April 1, 2005

Complete Section 1 **only** if the QEZE was first certified **prior to** April 1, 2005. **Do not** complete Section 2.

QEZEs first certified between August 1, 2002, and March 31, 2005, that conduct operations on real property they own or lease that is located in an EZ and is subject to a BCA executed prior to January 1, 2006: **do not** complete this section. Instead, complete Section 2, Schedules H through Q.

Eligibility for QEZEs first certified prior to April 1, 2005

A business enterprise that was first certified as eligible to receive benefits under GML Article 18-B prior to April 1, 2005, is a QEZE during its business tax benefit period if in those tax years the business enterprise meets the annual employment test.

The amount of the credit is the product of:

- the benefit period factor,
- the employment increase factor, and
- the eligible real property taxes paid or incurred by the QEZE during the current tax year.

Taxpayers first certified under GML Article 18-B on or after August 1, 2002, are subject to a limitation on the amount of QEZE real property tax credit which may be claimed.

The credit limitation is the greater of the employment increase limitation or the capital investment limitation. Any taxpayer first certified before August 1, 2002, is not subject to this limitation in any year of the business tax benefit period. **The limitation is computed on Worksheet B on page 5.**

Schedule A – Employment test for QEZEs first certified prior to April 1, 2005

Complete Schedule A to determine if you meet the annual employment test. If you marked *No* on either line 3 or line 6, you do **not** qualify for the QEZE credit for real property taxes for the current tax year. **Do not** complete the rest of this form **unless** you are required to recapture QEZE real property tax credit from a prior year. To compute a recapture, complete Worksheet A.

Refer to *Definitions for all QEZEs* on page 1 when computing the employment test.

The employment test will be met for a tax year if the business enterprise's employment number in all EZs, whether the business enterprise is certified there or not, equals or exceeds its employment number in all EZs in the base period; and the business enterprise's employment number in New York State outside all EZs in the tax year equals or exceeds its employment number in New York State outside all EZs in the base period. For information as to whether your business enterprise has employees in an EZ in which your business enterprise is not certified, you may contact ESD.

There are additional employment test requirements for businesses with a base period of zero years or zero employment in the base period (see below).

If there is a change in zone boundaries or if the QEZE is in a newly designated zone, the QEZE will compute its employment test as if the boundaries of the revised or newly designated zone existed during its base period and test year. If a business moves to a location that later becomes part of an EZ, the employment number is computed as if the business was located in the zone during its base period and test year.

If a business relocates to an EZ from a business incubator facility operated by a municipality or by a public or private not-for-profit entity, the QEZE will compute its employment test as if it were located in the EZ during the base period. A business incubator facility provides business support services or space, or both, to newly established enterprises.

Test date is the later of July 1, 2000, or the date prior to July 1, 2010, on which the business enterprise was **first certified** under GML Article 18-B. Subsequent certifications will not change the test date.

Test year is the last tax year **ending before the test date**. If a business enterprise does not have a tax year that ends before the test date, the enterprise will be deemed to have a test year that will be either the last calendar year ending before its test date, or, if the enterprise is a fiscal filer, the test year will be the fiscal year ending before its test date.

Base period is the five tax years immediately preceding the test year. If your QEZE has fewer than five years preceding the test year, then your base period is the smaller set of years. If you are a business enterprise in your first tax year of doing business in New York State, your base period is zero years.

Employment increase factor is an amount that cannot exceed 1.0, but that is the greater of the following:

1. the excess of the QEZE's employment number in EZs in which the QEZE is certified for the current tax year over the QEZE's test year employment number in those zones, divided by the QEZE's test year employment number in those zones; **or**
2. the excess of the QEZE's employment number in the EZs in which it is certified for the current tax year over the QEZE's test year employment number in those zones, divided by 100.

Business tax benefit period means either the first 15 tax years beginning on or after January 1, 2001 (if your test date occurred on or before December 31, 2001), or the 15 tax years after your test year (if your test date occurred on or after January 1, 2002). See new business definition below for exception.

However, owners of qualified investment projects (QUIPs) (as defined under GML section 957(s)) that have been approved by the Commissioner of Economic Development will be allowed an additional business tax benefit period of ten years for purposes of the QEZE credit for real property taxes. For these owners, the business tax benefit period is extended to include an additional ten tax years starting with the tax year in which the business enterprise's benefit period commencement date occurs (but only for those years in which the employment test is met).

The benefit period commencement date is determined by an election made by the business enterprise on its report for the tax year which includes the date of certification of the business enterprise at the location of the QUIP. The business enterprise can elect either (A) the business enterprise's date of certification under GML Article 18-B at the location of the QUIP or (B) the date when property constituting a QUIP is first placed in service. If you choose to make the election under (B), attach a statement. If no election is made, the benefit period commencement date will be (A) as described above.

If a QEZE that is an owner of a QUIP is also approved by the Commissioner of Economic Development as the owner of a significant

capital investment project (as defined under GML section 957(t)), the business tax benefit period is increased to include an additional ten tax years beginning with the tax year in which the significant capital investment project is placed in service. The property must be placed in service during the business enterprise's business tax benefit period as described above.

If a QEZE is an owner of a QUIP, a significant capital investment project, or both, the business tax benefit period may extend beyond ten years.

Benefit period factor is a number from zero to one, based on the tax year of the business tax benefit period, that is designed to phase out the benefit in the last five years of the business tax benefit period. (See Form CT-606, page 2, *Benefit period factor table*.)

For an owner of a QUIP or a significant capital investment project, the benefit period factor will be 1.0 during the entire business tax benefit period.

Additional employment test requirements for businesses with a base period of zero years or zero employment in the base period

For a business enterprise first **certified prior to August 1, 2002**, if the base period is zero years or the base period employment is zero, and the enterprise is similar in ownership and operation to an existing or previously existing taxpayer, it can continue to access QEZE benefits only if the enterprise was formed for a valid business purpose and not solely to gain EZ benefits.

Valid business purpose means one or more business purposes, other than the avoidance or reduction of taxation, which alone or combined are the primary motivation for some business activity or transaction that changes the economic position of the taxpayer in a meaningful way (apart from tax effects). The economic position of the taxpayer includes an increase in the market share of the taxpayer, or the entry by the taxpayer into new business markets.

For a business enterprise first **certified on or after August 1, 2002, and before April 1, 2005**, if the base period is zero years and the employment number in the zone is greater than zero in a tax year, then the enterprise meets the employment test **only** if it qualifies as a new business.

New business means any business entity, except one that is substantially similar in operation and in ownership to a business entity taxable, or previously taxable, under Tax Law, Article 9, section 183, 184, former section 185, or former section 186; Article 9-A, or 33; former Article 23 (or that would have been subject to Article 23 as this article was in effect January 1, 1980); former Article 32 (or that would have been subject to Article 32 as it was in effect December 31, 2014); or the income (or losses) of which is (or was) included under Article 22.

A business enterprise that is approved by the Commissioner of Economic Development as the owner of a QUIP or a significant capital investment project will be considered a new business for purposes of the QEZE credit for real property taxes if it:

- has a base period of zero years;
- has placed property (or a project that includes such property) in service which comprises the QUIP or significant investment project; and
- is certified by December 31, 2007.

For tax years beginning on or after January 1, 2005, a business that is identical in ownership and operation to an existing taxpayer will meet the new business test if the businesses are operating in different counties in the state. The new business **must use the remaining business tax benefit period** of the existing identical taxpayer.

Part 1 – EZ employment

Compute your employment number within all EZs, whether certified in all zones or not, for the current tax year and the five-year base period. When computing this number, first exclude all employees who were not employed by the QEZE for at least one-half of the tax year.

For purposes of these instructions, all references to *current tax year* mean the tax year covered by this claim.

Line 1 – For each date specified of the current tax year, enter the number of full-time employees, excluding general executive officers, located within any EZ whether the QEZE is certified in the EZ or not. Divide the total number of full-time EZ employees for the current tax year by the number of the dates occurring during the current tax year (even if you had no employees on those dates) to obtain the current tax year employment number. Make no entries for any dates that did not occur during your tax year. Do not include those dates in the calculation.

Line 2 – For each date specified of the base period, enter the number of full-time employees, excluding general executive officers, located within any EZ whether the QEZE is certified in the EZ or not. Divide the total number of full-time EZ employees for each date specified of the five-year base period by the number of dates occurring during the five-year base period (even if you had no employees on those dates) to obtain the base period employment number. Make no entries for any dates prior to the date you began business in New York, and do not include those dates in the calculation.

Example: *A QEZE that is a calendar-year filer begins business in New York on April 1, 2001, and is first certified on January 1, 2003. The QEZE's test date is January 1, 2003. The test year is the tax year ending December 31, 2002. The base period is April 1, 2001 - December 31, 2001, a short tax year. Since March 31, 2001, does not occur during this enterprise's base period, no entry is made for this date. The QEZE has no employees on June 30, 2001. It hires three employees on July 1, 2001. The QEZE will compute its total number of full-time employees within all EZs in the base period as follows:*

Base period employment number		Tax year ending *(mm-yy)*	Mar 31	June 30	Sept 30	Dec 31	Total
a	Number in base year 1	*12-01*		*0*	*3*	*3*	*6*
b	Number in base year 2						
c	Number in base year 3						
d	Number in base year 4						
e	Number in base year 5						
f	Total number of full-time employees within all EZs in the base period						*6*

In this example, the employment number within all EZs in the base period is 2 (six divided by three) because the QEZE divides the total number of full-time EZ employees by the number of dates that occurred in the QEZE's base period. The base period in this instance was one short tax year.

Line 3 – The EZ current tax year employment number (line 1) must equal or exceed the EZ base period employment number (line 2) to qualify for the QEZE credit for real property taxes. If you marked *No,* you **do not** qualify for this credit. **Do not** complete the rest of this form **unless** you are required to recapture QEZE real property tax credit from a prior year. To compute a recapture, complete Worksheet A.

Part 2 – New York State employment outside all EZs

Complete Part 2 in the same manner as you completed Part 1; however, include only those employees who are located outside all EZs but within New York State. When computing this number, first exclude all employees who were not employed by the QEZE for at least one-half of the tax year.

Line 6 – The employment number in New York State outside all EZs for the current tax year (line 4) must equal or exceed the employment number in New York State outside all EZs in the base period (line 5) to qualify for the QEZE credit for real property taxes. If you marked *No,* you **do not** qualify for this credit. **Do not** complete the rest of this form **unless** you are required to recapture the QEZE credit for real property taxes from a prior year. To compute a recapture, complete Worksheet A.

Schedule B – Computation of test year employment number within the EZs in which you are certified

Line 7 – Divide the total number of full-time employees within the EZs for your test year by the number of the dates occurring during the year (even if you had no employees on those dates) to obtain your test year employment number. Make no entries for any dates that did not occur during your test year. Do not include those dates in the calculation.

Include only the employees working within EZs in which you are certified that were employed by the QEZE for at least one-half of the tax year.

Schedule C – Employment increase factor

The employment increase factor cannot exceed 1.0. If your test year employment number is zero, and your current tax year employment number is greater than zero, your employment increase factor is 1.0.

Line 8 – Include on this line the current tax year employment number in the EZs in which you are certified.

Note: If you have employment in an EZ in which you are not certified, your current tax year employment number will not be the same as the number computed on line 1. For purposes of this calculation, include only those employees working in EZs in which you are certified that were employed by the QEZE for at least one-half of the tax year.

Schedule D – Computation of QEZE credit for real property taxes for QEZEs first certified prior to April 1, 2005

Line 16 – See page 2 for a definition of eligible real property taxes. **Attach copies of all real property tax bills (including school tax bills) that are the basis for your QEZE credit.** If the real property taxes include PILOT payments, attach a copy of the PILOT agreement. If you are a lessee claiming the real property tax credit on leased property, attach a copy of the lease.

Line 18 – If the QEZE's eligible real property taxes, which were the basis for a credit previously claimed, are subsequently reduced, the QEZE must add back a recapture amount computed in Worksheet A below:

Worksheet A

a The amount of credit originally allowed..... **a** _____

b The amount of credit calculated using the reduced tax amount ..... **b** _____

c Recapture amount *(subtract line b from line a; enter result on line 18)* ..... **c** _____

Note: If property taxes are reduced for more than one tax year, you must determine how much of the reduction is attributable to each year and recapture the apportioned amount for each year.

Line 19 – If the amount to be recaptured **does not** exceed any credit claimed this year (line 19 is a positive number), continue with this section.

If the amount to be recaptured exceeds any credit to be claimed in this year (line 19 is a negative number), you have a net recapture. Skip lines 20, 21, and Schedule E.

C corporations: enter this negative amount (net recapture) in the credit section of your franchise tax return.

New York S corporations: enter this negative amount (net recapture) as a positive number on Form CT-34-SH.

Line 20 – The credit limitation is the greater of the employment increase limitation or the capital investment limitation.

QEZEs first certified under GML Article 18-B prior to August 1, 2002: You do not have a credit limitation in any year of your business tax benefit period. **Do not make an entry on this line**.

QEZEs certified on or after August 1, 2002: Complete Worksheet B and enter the greater of Worksheet B, line 2 or Worksheet B, line 8 on line 20.

Worksheet B instructions

The employment increase limitation (Worksheet B, line 2) is calculated by multiplying the excess of the QEZE's employment number in the zones in which the QEZE is certified for the tax year over the QEZE test year employment number by $10,000 (see definition of employment number on page 1).

The capital investment limitation (Worksheet B, line 8) is calculated at 10% of the cost or other basis of the real property multiplied by the greater of:

- the percentage of the property that is physically occupied and used by the QEZE or by a related person to the QEZE, as related person is defined in IRC section 465(b)(3)(C) (see *Definitions for all QEZEs* on page 1); **or**
- the percentage of the cost or other basis attributable to the construction, expansion, or rehabilitation of the real property (as opposed to the acquisition). If 50% or more of the cost or other basis is attributable to the construction, expansion, or rehabilitation of the real property (as opposed to the acquisition), then this percentage will be 100%.

The cost or other basis of the real property is the greater of:

- the cost or other basis of the real property for federal income tax purposes on the later of January 1, 2001, or the effective date of certification under GML Article 18-B; **or**
- the cost or other basis of the real property for federal income tax purposes on the last day of the tax year.

Worksheet B

Employment increase limitation

1 Enter the amount shown on Form CT-606, line 10 ..... **1** _____

2 Multiply line 1 by $10,000 ..... **2** _____

Capital investment limitation

3 Cost or other basis of real property..... **3** _____

4 Multiply line 3 by 10% (0.1)..... **4** _____

5 The percentage of the QEZE's (and related person's) physical occupancy and use of the building..... **5** _____ %

6 Percentage of line 3 attributable to the construction, rehabilitation, or expansion of building for which the credit is claimed *(if 50% or more, enter **100**)* ..... **6** _____ %

7 Enter the greater of line 5 or 6 ..... **7** _____ %

8 Multiply line 4 by line 7 *(enter the greater of the line 2 or the line 8 amount of this worksheet on line 20)* ..... **8** _____

Line instructions for worksheet

Line 3 – Enter the greater of the cost or other basis of real property on the later of January 1, 2001, or the date of the QEZE certification, or the cost or other basis on the last day of the current tax year for real property, including buildings and structural components of buildings owned by the QEZE and located in the EZ.

Line 5 – Enter the percentage of the QEZE's (and any related person's, as related person is defined on page 1) physical occupancy and use of the real property, as measured in square feet.

Line 21 – If you are not subject to the credit limitation on line 20, enter the amount from line 19. If you are subject to the credit limitation on line 20, enter the lesser of line 19 or 20.

Schedule E – Application of QEZE credit for real property taxes

(New York S corporations do not complete Schedule E.)

Line 22 – Enter the amount from the following franchise tax returns, **plus** any net recapture of other tax credits:

- Form CT-3, Part 2, line 2
- Form CT-3-A, Part 2, line 2

Line 23

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.

Article 9-A filers: For the correct order of credits, see Form CT-600-I, *Instructions for Form CT-600, Ordering of Corporation Tax Credits*.

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

Lines 27, 29, and 30 – On line 27, enter the lesser of line 21 or line 26.

Transfer the amounts from lines 27, 29, and 30 to your franchise tax return.

Schedule G – Valid business purpose for QEZEs first certified prior to August 1, 2002

If the QEZE was first certified prior to August 1, 2002, and the base period is zero years or the employment number is zero in the base period, and the QEZE is similar in ownership and operation to an existing or previously existing New York State taxpayer, the QEZE must have been formed for a valid business purpose to continue qualifying for QEZE benefits. If applicable, mark an ***X*** in the box and attach a notarized statement describing how your QEZE meets this test (see definition of valid business purpose on page 4).

Section 2 – For QEZEs first certified on or after April 1, 2005

Complete Section 2 **only** if (1) the QEZE is first certified **on or after** April 1, 2005, or (2) the QEZE was first certified between August 1, 2002, and March 31, 2005, and its operations are conducted on real property subject to a BCA executed prior to January 1, 2006. Do not complete Section 1.

Eligibility for QEZEs first certified on or after April 1, 2005

A business enterprise that is first certified as eligible to receive benefits under GML Article 18-B on or after April 1, 2005, and prior to July 1, 2010, or a business enterprise first certified between August 1, 2002, and March 31, 2005, whose operations are conducted on real property subject to a BCA executed prior to January 1, 2006, is a QEZE during its business tax benefit period if in those tax years the business enterprise meets the annual employment test. Owners of QUIPs and significant capital investment projects may qualify for an extended business tax benefit period (see definition below).

Year of the business tax benefit period

Enter a number between one and 10 representing the tax year of the business tax benefit period for which you are claiming the credit in this section of the form. However, if the QEZE was first certified between August 1, 2002, and March 31, 2005, and the QEZE's operations are conducted on real property subject to a BCA executed prior to January 1, 2006, enter a number between one and 15.

Owners of QUIPs: See the definition of business tax benefit period below.

Schedule H – Employment test for QEZEs first certified on or after April 1, 2005

Complete Schedule H to determine if you meet the annual employment test. If you marked *No* on either line 33 or line 36, you **do not** qualify for the QEZE credit for real property taxes for the current tax year. **Do not** complete the rest of this form **unless** you are required to recapture QEZE real property tax credit from a prior year.

Refer to *Definitions for all QEZEs* on page 1 when computing the employment test.

The employment test will be met for a tax year if the business enterprise's employment number in all EZs, whether the business enterprise is certified there or not, exceeds its employment number in all EZs in the base period; and the business enterprise's employment number in New York State for the tax year exceeds its employment number in New York State in the base period. For information as to whether your business enterprise has employees in an EZ in which your business enterprise is not certified, you may contact ESD. CEEs (as defined in GML section 959-b) will determine whether the employment test is met by comparing their employment number in New York State for the current tax year to their employment number in New York State in their base period.

There are additional employment test requirements for businesses with a base period of zero years or zero employment in the base period. See additional instructions below.

If there is a change in zone boundaries or if the QEZE is in a newly designated zone, the QEZE will compute its employment test as if the boundaries of the revised or newly designated zone existed during its base period and test year. If a business moves to a location that later becomes part of an EZ, the employment number is computed as if the business were located in the zone during its base period and test year.

If a business relocates to an EZ from a business incubator facility operated by a municipality or by a public or private not-for-profit entity, the QEZE will compute its employment test as if it were located in the EZ during the base period. A business incubator facility provides business support services or space, or both, to newly established enterprises.

Base period is the four tax years immediately preceding the tax year in which the QEZE was first certified under GML Article 18-B for QEZEs first certified on or after April 1, 2005. If the business enterprise has fewer than the four such years, then the base period is the smaller set of years. If you are a business enterprise in your first tax year of doing business in New York State, your base period is zero years.

Development zone (DZ) employment increase factor (see Form CT-606, Schedule J) is an amount that cannot exceed 1.0, based on the QEZE's net new employees.

Business tax benefit period means the 10 tax years beginning with the tax year in which the QEZE's first date of certification occurs. However, the business tax benefit period is 15 years for a QEZE that was first certified between August 1, 2002, and March 31, 2005, and whose operations are conducted on real property subject to a BCA executed prior to January 1, 2006.

Owners of QUIPs (as defined under GML section 957(s)) that have been approved by the Commissioner of Economic Development will be allowed an additional business tax benefit period of ten years for purposes of the QEZE credit for real property taxes. For these owners, the business tax benefit period is extended to include an additional ten tax years starting with the tax year in which the business enterprise's benefit period commencement date occurs (but only for those years in which the employment test is met).

The benefit period commencement date is determined by an election made by the business enterprise on its report for the tax year which includes the date of certification of the business enterprise at the location of the QUIP. The business enterprise can elect either (A) the business enterprise's date of certification under GML Article 18-B at the location of the QUIP or (B) the date when property constituting a QUIP is first placed in service. If you choose to make the election under (B), attach a statement. If no election is made, the benefit period commencement date will be (A) as described above.

If a QEZE that is an owner of a QUIP is also approved by the Commissioner of Economic Development as the owner of a significant

capital investment project (as defined under GML section 957(t)), the business tax benefit period is increased to include an additional ten tax years beginning with the tax year in which the significant capital investment project is placed in service. The property must be placed in service during the business enterprise's business tax benefit period as described above.

If a QEZE is an owner of a QUIP, a significant capital investment project, or both, the business tax benefit period may extend beyond ten years.

A *development zone (DZ)* is an EZ designated by ESD, usually located within a county.

An *investment zone (IZ)* is an EZ designated by ESD based on census tract statistics or location in a municipality. CEEs are considered to be located in an IZ.

Manufacturer means a taxpayer that during the tax year is principally engaged in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, or a business engaged in emerging technologies under Public Authorities Law section 3102(e).

A QEZE's net new employees equal the QEZE's current year employment number in the EZ(s) in which it is certified for the tax year less the QEZE's employment number in such EZ(s) in the base period.

Additional employment test requirements for businesses with a base period of zero years or zero employment in the base period

For a business enterprise first **certified on or after April 1, 2005**, if the base period is zero years or the base period employment is zero and the employment number in the zone is greater than zero in a tax year, the enterprise meets the employment test **only** if the enterprise qualifies as a new business.

New business means any business entity, except one that is substantially similar in operation and in ownership to a business entity taxable, or previously taxable, under Tax Law, Article 9, section 183, 184, former section 185, or former section 186; Article 9-A, or 33; former Article 23 (or that would have been subject to Article 23 as this article was in effect January 1, 1980); former Article 32 (or that would have been subject to Article 32 as it was in effect December 31, 2014); or the income (or losses) of which is (or was) included under Article 22.

A business enterprise that is approved by the Commissioner of Economic Development as the owner of a QUIP or a significant capital investment project will be considered a new business for purposes of the QEZE credit for real property taxes if:

- it has a base period of zero years;
- it has placed property (or a project that includes such property) in service which comprises the QUIP or significant investment project; and
- it is certified by December 31, 2007.

For tax years beginning on or after January 1, 2005, a business that is identical in ownership and operation to an existing taxpayer will meet the new business test if the businesses are operating in different counties in the state. The new business **must use the remaining business tax benefit period** of the existing identical taxpayer.

Part 1 – EZ employment

Compute your employment number within all EZs, whether certified in all zones or not, for the current tax year and the four-year base period. When computing this number, first exclude all employees who were not employed by the QEZE for at least one-half of the tax year. **CEEs:** do not complete Part 1. Complete Part 2 only.

For purposes of these instructions, all references to *current tax year* mean the tax year covered by this claim.

Line 31 – For each date specified of the current tax year, enter the number of full-time employees, excluding general executive officers, located within any EZ whether the QEZE is certified in the EZ or not. Divide the total number of full-time EZ employees for the current tax year by the number of the dates occurring during the current tax year (even if you had no employees on those dates) to obtain the current tax year employment number. Make no entries for any dates that did not occur during your tax year. Do not include those dates in the calculation.

Line 32 – For each date specified in the base period, enter the number of full-time employees, excluding general executive officers, located within any EZ whether the QEZE is certified in the EZ or not. Divide the total number of full-time EZ employees for each date specified in the four-year base period by the number of dates occurring during the four-year base period (even if you had no employees on those dates) to obtain the base period employment number. Make no entries for any dates prior to the date you began business in New York, and do not include those dates in the calculation.

Example: *A QEZE that is a calendar-year filer begins business in New York on April 1, 2004, and is first certified on June 1, 2005. The base period is April 1, 2004 - December 31, 2004, a short tax year. Since March 31, 2004, does not occur during this enterprise's base period, no entry is made for this date. The QEZE has no employees on June 30, 2004. It hires three employees on July 1, 2004. The QEZE will compute its total number of full-time employees within all EZs in the base period as follows:*

Base period employment number		Tax year ending *(mm-yy)*	Mar 31	June 30	Sept 30	Dec 31	Total
a	Number in base year 1	*12-04*		*0*	*3*	*3*	*6*
b	Number in base year 2						
c	Number in base year 3						
d	Number in base year 4						
e	Total number of full-time employees within all EZs in the base period						*6*

In this example, the employment number within all EZs in the base period is 2 (six divided by three) because the QEZE divides the total number of full-time EZ employees by the number of dates that occurred in the QEZE's base period. The base period in this instance was one short tax year.

Line 33 – The EZ current tax year employment number (line 31) must exceed the EZ base period employment number (line 32) to qualify for the QEZE credit for real property taxes. If you marked *No,* you **do not** qualify for this credit. **Do not** complete the rest of this form **unless** you are required to recapture QEZE real property tax credit from a prior year. **Exception:** CEEs use Part 2 only.

Part 2 – New York State employment

Complete Part 2 in the same manner as you completed Part 1; however, include all employees within New York State, including those in EZs. When computing this number, first exclude all employees who were not employed by the QEZE for at least one-half of the tax year.

Line 36 – The current tax year employment number in New York State (line 34) must exceed the base period employment number in New York State (line 35) to qualify for the QEZE credit for real property taxes. If you marked *No,* you **do not** qualify for this credit. **Do not** complete the rest of this form **unless** you are required to recapture the QEZE credit for real property taxes from a prior year.

Schedule I – Computation of net new employment

Lines 37 and 38 – Include on these lines the current tax year and base period employment numbers only for the EZs in which you are certified. If you have employees only in EZs for which you are certified, your current tax year employment number will be the same as the number computed on line 31, and your base period employment number will be the same as the number computed on line 32.

However, if you have employees in EZs in which you are not certified, you must recalculate your employment numbers for lines 37 and 38 excluding those employees working in EZs in which you are not certified.

Note: CEEs use the employment number on line 34 for line 37, and use the employment number on line 35 for line 38.

Schedule K – Employee information

Line 41 – Wages, health, and retirement benefits **do not** include Social Security payments, supplemental Social Security payments, withholding tax payments, or unemployment tax payments. **Do not** include wages of general executive officers. Wages are those reported on federal Form W-2. Health benefits include the employer contribution for insurance payments. Retirement benefits include employer contributions to non-mandatory pension plans. **Do not** include wages, health, and retirement benefits in excess of $40,000 for any employee.

Column C – Enter the name of the EZ in which the employee works. Indicate whether the EZ is an IZ or a DZ. **CEEs:** enter ***IZ*** after the zone name.

Additional forms: If you have more entries than will fit on the lines provided in Schedule K or Q, submit additional Forms CT-606, completing only the necessary schedules. Include your name and taxpayer identification number on each form. On the indicated lines of the first Form CT-606, include the totals from all additional Forms CT-606. Place the extra forms behind the first Form CT-606 and submit them with your return.

Schedule L – Computation of credit for QEZEs certified in DZs

If you are certified in one or more zones and any of those zones is a DZ, and you are not a manufacturer, complete Schedule L.

Schedule M – Computation of QEZE credit for real property taxes for manufacturers and QEZEs certified only in an IZ

If you are certified in one or more zones and all the zones are IZs, or you are a manufacturer, complete Schedule M. CEEs are considered to be certified in an IZ.

Schedule N – QEZE credit for real property taxes

Line 54 – If the QEZE's eligible real property taxes are subsequently reduced, it may be necessary for the QEZE to recapture some or all of the QEZE credit for real property taxes. You must recompute the amount of credit that would have been allowed if the reduced amount of eligible real property taxes were used as the limitation of the credit. Use Worksheet A on page 5 to compute your recapture.

If property taxes are reduced for more than one tax year, you must determine how much of the reduction is attributable to each year, and compute the limitation using the apportioned amount for each tax year.

Line 55 – If line 55 is a positive number:

- **C corporations:** continue with Schedule O.
- **New York S corporations:** enter this amount on Form CT-34-SH. Do not complete Schedule O. Provide your shareholders with their pro rata share of the credit.

If line 55 is a negative number you have a net recapture. Do not complete Schedule O and:

- **C corporations:** enter this negative amount (net recapture) in the credit section of your franchise tax return.
- **New York S corporations:** enter this negative amount (net recapture) as a positive number on Form CT-34-SH. Provide your shareholders with their pro rata share of the net recapture.

Schedule O – Application of QEZE credit for real property taxes

(New York S corporations do not complete Schedule O.)

Line 56 – Enter the amount from the following franchise tax returns, **plus** any net recapture of other tax credits:

- Form CT-3, Part 2, line 2
- Form CT-3-A, Part 2, line 2

Line 57

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.

Article 9-A filers: For the correct order of credits, see Form CT-600-I, *Instructions for Form CT-600, Ordering of Corporation Tax Credits*.

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

Lines 61, 63, and 64 – On line 61, enter the lesser of line 55 or line 60.

Transfer the amounts from lines 61, 63, and 64 to your franchise tax return.

Schedule Q – Capital investment amount (complete only Part 1 or Part 2)

If you are certified in one or more zones and any of those zones is a DZ, and you are not a manufacturer, complete Part 1.

If you are certified in one or more zones and all the zones are IZs, or you are a manufacturer, or you are a CEE, complete Part 2.

Part 1 – Capital investment amount for QEZEs certified in DZs

Line 65 – Calculate the capital investment amount separately for each property owned by the QEZE. Enter the result on line 50. If you are a lessee and have no basis in any property, do not complete Schedule Q. Enter ***0*** on line 50. If needed, see *Additional forms*.

Column C – Enter the cost or other basis for real property including buildings and structural components of buildings owned by the QEZE and located in the EZ. Only costs attributable to the construction, expansion, or rehabilitation of the property are included in this calculation. Do not include acquisition costs. The cost or other basis is calculated using the greater of the cost or other basis for federal income tax purposes on the effective date of certification or the cost or other basis for federal income tax purposes on the last day of the tax year.

Column E – Enter the percentage of the QEZE's (and any related person's as related person is defined on page 1) physical occupancy and use of the real property, as measured in square feet. If the amount in Column C equals or exceeds 50% of the total cost or basis of the property, including acquisition costs, then the percentage of physical occupancy is considered to be 100%.

Part 2 – Capital investment amount for QEZEs certified only in IZs or for manufacturers

Line 66 – Calculate the capital investment amount separately for each property. Enter the result on line 50. If needed, see *Additional forms*.

Column C – Enter the cost or other basis for real property including buildings and structural components of buildings owned by the QEZE and located in the EZ. The cost or other basis of the real property is the greater of the cost or other basis of the real property for federal income tax purposes on the effective date of certification or the cost or other basis of the real property for federal income tax purposes on the last day of the tax year.

Column E – Enter the percentage of the QEZE's (and any related person's as related person is defined on page 1) physical occupancy and use of the real property, as measured in square feet.