Department of Taxation and Finance

Instructions for Form CT-652
Employer-Provided Child Care Credit

CT-652-I

General information

For tax years beginning on or after January 1, 2020, the employer-provided childcare credit is available to taxpayers who meet the eligibility requirements.

Eligibility

To be eligible for this credit you must meet the following requirements:

- You are subject to tax under Tax Law Articles 9-A, 22 or 33.
- You are allowed the federal credit for employer-provided childcare facilities and services under Internal Revenue Code (IRC) § 45F.

Definitions

Qualified childcare expenditures are amounts paid or incurred to acquire, construct, rehabilitate, or expand property located in New York State that is:

- to be used as part of a qualified childcare facility of the taxpayer,
- depreciable (or amortizable) property, and
- not part of the principal residence of the taxpayer or any employee of the taxpayer;

Qualified childcare expenditures also include amounts paid or incurred:

- For the operating expenses of a qualified childcare facility of the taxpayer, including expenses for training of employees, scholarship programs, and providing increased compensation to employees with higher levels of childcare training; or
- Under a contract with a qualified childcare facility to provide childcare services to employees of the taxpayer.

Note: Any expenses for childcare included in qualified childcare facility expenditures may not exceed the fair market value of such care.

A *qualified childcare facility* is a facility that meets the requirements of all applicable laws and regulations of the state or local government in which it is located, including the licensing of the facility as a childcare facility. The following conditions must also be met:

- The principal use of the facility must be to provide childcare (unless the facility is also the personal residence of the person operating the facility).
- Enrollment in the facility must be open to employees of the taxpayer during the tax year.
- If the facility is the principal trade or business of the taxpayer, at least 30% of the enrollees of the facility must be dependents of employees of the taxpayer.
- The use of the facility (or the eligibility to use the facility) must not discriminate in favor of highly compensated employees.

Qualified childcare resource and referral expenditures are amounts paid or incurred under a contract to provide childcare resource and referral services to employees of the taxpayer working in New York State. The provision of the services (or the eligibility to use the services) must not discriminate in favor of highly compensated employees.

Credit information

The credit is 200% of the credit allowed under IRC Section 45F that is attributable to:

- qualified childcare expenditures for a facility situs in New York (federal 25%/NYS 50%); and
- qualified childcare resource and referral expenditures paid or incurred during the tax year with respect to employees working in New York (federal 10%/NYS 20%).

The credit is limited to $500,000 per tax year and is applied at the entity level.

The amount of credit allowed cannot reduce the tax due to less than the fixed dollar minimum tax under Article 9-A or the minimum tax under Article 33.

The credit is **not** allowed against the metropolitan transportation business tax (MTA surcharge) under Article 9-A or 33.

Any unused amount of credit for the current tax year will be treated as a refund or overpayment of tax to be credited to next year's tax. Interest will not be paid on the refund or overpayment.

If you are required to recapture the federal credit relating to a childcare facility located in New York State, you must also recapture the New York credit. The recapture for New York tax purposes is limited to the amount of credit allowed for New York.

Line instructions

Line A – Mark an ***X*** in the appropriate box to determine the parts of this form you need to complete. If you are claiming this credit **both** as a corporation that earned the credit **and** as a corporate partner receiving a share of the credit, mark an ***X*** in the *Yes* box and complete all appropriate parts on one Form CT-652.

Additional forms – If you have more entries than will fit on the lines provided in Schedule(s) A or B, submit additional Forms CT-652, completing only the necessary schedule(s). Include your name and taxpayer identification number on each form and include the totals from all additional Forms CT-652 on the indicated lines. Place the extra forms behind the first Form CT-652 and submit them with your return.

Schedule A – Computation of credit

Part 1 – Qualified childcare facility expenditures paid or incurred

Enter in Column B childcare facility expenditures used to claim the federal credit for employer-provided childcare facilities and services with respect to a childcare facility located in New York State. If needed, see *Additional forms*.

Part 2 – Qualified childcare resource and referral expenditures paid or incurred

Enter in Column E childcare resource and referral expenditures used to claim the federal credit for employer-provided childcare facilities and services with respect to each employee working in New York State. If needed, see *Additional forms*.

Part 3 – Limitation

Line 9

New York S corporations: Transfer this amount to Form CT-34-SH and provide your shareholders with their pro

rata share of this amount. The shareholder will enter this amount on Form IT-652, *Employer-Provided Childcare Credit*.

Schedule B – Partnership information

Complete this schedule only if you were a partner in a partnership and received a share of the Employer-provided childcare credit or recapture from that entity. Enter the name, employer identification number (EIN), credit amount, and recapture amount passed through to you from each partnership. Obtain this information from the partnership(s) allocating the credit to you. If needed, see *Additional forms*.

Lines 10 and 11

New York S corporations: Transfer these amounts to Form CT-34-SH and provide your shareholders with their pro rata share of these amounts. The shareholder will enter these amounts on Form IT-652.

Schedule C – Computation of credit used, refunded, or credited as an overpayment to the next tax year.

Line 16 – Subtract line 15 from line 14. If the amount on line 14 is greater than the amount on line 15, enter the result on line 16. This is the net credit available for use this period.

If the amount of line 15 is greater than line 14, you have a net recaptured tax credit. Subtract line 15 from line 14 and enter the result as a negative number with a minus (-) sign. Enter this negative amount in the appropriate box of the tax credits section of your franchise tax return. Do not complete the rest of the form.

Lines 17 and 20

Lines 17 and 20 entries table

If you filed	Enter on line 17 any net recapture of other tax credits, plus the amount from	Enter on line 20 the minimum tax below
Form CT-3	Part 2, line 2	Part 2, line 1c amount
Form CT-3-A	Part 2, line 2	Part 2, line 1c amount
Form CT-33	Line 11	**250**
Form CT-33-A	Line 15	Line 4 **plus** Line 12
Form CT-33-NL	Line 5	**250**

Line 18 – Enter the amount of the credit(s) being claimed before the employer-provided childcare credit; otherwise, enter ***0***. If you are applying multiple credits, see your franchise tax return instructions to determine the order in which the credits should be applied.

Article 9-A taxpayers: Refer to Form CT-600-I, *Instructions for Form CT-600, Ordering of Corporation Tax Credits*, for the proper ordering of your credits.

If filing as a member of a combined group, include any amount of tax credit(s), including the employer-provided childcare credit, claimed by another member of the combined group that you want to apply before this credit.

Schedule D – Computation of credit recapture

You must recapture all or a portion of the employer-provided childcare credit if operation ceases or there is a change in ownership of the childcare facility located in New York State and you are required to recapture all or part of the federal credit.

Line 26 – If you were required to recapture all or part of the federal credit for employer-provided childcare facilities and services, enter the federal recapture applicable to a childcare facility located in New York State.

Line 27 – If you were required to recapture all or part of the federal credit for employer-provided childcare facilities and services, enter the amount of the credit that was originally allowed that was applicable to a childcare facility located in New York state.

Line 32

New York S corporations: Transfer this amount to Form CT-34-SH and provide your shareholders with their pro rata share of this amount. The shareholder will enter this amount on Form IT-652.