



# Instructions for Form DTF-601

## Claim for EDZ Wage Tax Credit

### General Information

The New York State Economic Development Act added subdivision 19 to section 210 of Article 9-A, added subsection (k) to section 606 of Article 22, added subsection (e) to section 1456 of Article 32, and added subsection (g) to section 1511 of Article 33, to allow an economic development zone (EDZ) wage tax credit for tax years beginning on or after January 1, 1986.

In order to claim the EDZ wage tax credit, a taxpayer must be certified under Article 18-B of the General Municipal Law as eligible to receive the credit. A copy of the certification must be attached to Form DTF-601 each year the credit (or carryforward of the credit) is being claimed. For information on certification, call Empire State Development at (518) 473-6929.

The EDZ wage tax credit is allowed for up to five consecutive tax years, beginning in the first tax year in which all three eligibility requirements in Schedule A are met.

### Schedule A — Eligibility Requirements

The EDZ wage tax credit must be claimed in the first tax year in which all three of the following eligibility requirements are met:

- EDZ wages are paid; and
- average number of full-time employees in New York State for the current tax year (line 2) exceeds the average number of full-time employees in New York State during the four years immediately preceding the first tax year in which the EDZ wage tax credit is claimed (line 3); and
- the average number of full-time employees in the EDZ for the current year (line 4) exceeds the average number of full-time employees in the EDZ or area comprising the EDZ during the four years immediately preceding the first tax year in which the EDZ wage tax credit is claimed (line 5).

The average number of employees on line 3 and line 5, once computed, remains the same for each of the five subsequent tax years for which the credit is claimed.

### Schedule B — Computation of the EDZ Wage Tax Credit for the Current Tax Year

If you meet the three eligibility requirements in Schedule A, then compute the EDZ wage tax credit in Schedule B, Part I and Part II.

The EDZ wage tax credit in Part I is \$1,500 multiplied by the average number of qualified employees on line 6.

The EDZ wage tax credit in Part II is \$750 multiplied by the average number of qualified employees on line 9.

An EDZ wage tax credit cannot be computed in Schedule B for any tax year unless all three eligibility requirements in Schedule A are met for that tax year.

### Schedule C — Computation of the EDZ Wage Tax Credit Allowed for the Current Tax Year

A taxpayer not allowed to compute an EDZ wage tax credit in Schedule B may claim any available EDZ wage tax credit carryforward from a preceding tax year in Schedule C. An EDZ wage tax credit carryforward in Schedule C is available until used.

The EDZ wage tax credit allowed in Schedule C (including any EDZ wage tax credit carryforward) is limited to the following:

- 50% of the tax imposed under section 209 of Article 9-A, General Business Corporations, before addition of the MTA surcharge or the deduction of any tax credit; or

- 50% of the tax imposed under section 601 of Article 22, Personal Income Tax, before the allowance of any tax credits (taxpayers required to file separate returns, and estates and trusts: see the instructions for line 17); or
- 50% of the tax imposed under section 1455 of Article 32, Banks, before the addition of the MTA surcharge or the deduction of any tax credit; or
- 50% of the sum of the taxes imposed under sections 1501 and 1510 of Article 33, Insurance Corporations, or 50% of the limitation on tax computed under section 1505 of Article 33 (whichever is less) before the addition of the MTA surcharge or the deduction of any tax credit.

In addition, the EDZ wage tax credit allowed in Schedule C (including any EDZ wage tax credit carryforward) may not be applied against the following taxes:

- the larger of the tax on minimum taxable income base or fixed dollar minimum tax as computed under Article 9-A; or
- the fixed minimum tax of \$250 computed under Article 32; or
- the minimum tax of \$250 under Article 33; or
- the metropolitan transportation business tax (MTA surcharge) under Articles 9-A, 32 or 33.

Any portion of the EDZ wage tax credit disallowed in Schedule C as a result of the above limitations may be carried forward on subsequent tax returns.

The EDZ wage tax credit must be deducted after any tax credit that cannot be carried forward and before any tax credit that can be carried forward.

**Combined filers** — A taxpayer filing a combined return as a member of a combined group is allowed to claim an EDZ wage tax credit. The EDZ wage tax credit is computed on a separate basis in Schedules A and B and applied against the combined tax (see Schedule C, line 16).

### Schedule D — Computation of Refundable EDZ Wage Tax Credit

For taxable years beginning on or after January 1, 1994, an Article 9-A taxpayer qualifying as a new business under section 210.12(j) or an Article 22 taxpayer qualifying as the owner of a new business under section 606(a)(10) may elect to treat 50% of the EDZ wage tax credit available as a carryforward to following years as an overpayment to be refunded or credited.

### Revocation of Article 18-B Certification

Once certification under Article 18-B of the General Municipal Law is revoked, any wages paid by the taxpayer on or after the effective date of such revocation will not constitute EDZ wages.

### Definition of Terms

An *economic development zone* (EDZ) is an area within New York State that has been designated as an EDZ pursuant to Article 18-B of the General Municipal Law. The area must be characterized by pervasive poverty, high unemployment and general economic distress.

*Economic development zone wages* are wages paid by the taxpayer for full-time employment (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) during the tax year in an area designated or previously designated as an EDZ, if such employment is in a job created in the EDZ during the period of its designation as an EDZ or within four years of the expiration of such EDZ designation. This provides a taxpayer who located in the EDZ in the last year of its designation the opportunity to compute the EDZ wage tax credit for five consecutive tax years.

Wages paid to individuals employed before an EDZ is designated do not qualify as EDZ wages.

*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 job that meets these requirements constitutes full-time employment if the job is continuous for at least three months.

A *targeted employee* is a New York State resident who received EDZ wages during the current tax year and who is one or more of the following:

- an eligible individual under the provisions of the Federal Work Opportunity Credit (IRC section 51); or
- an individual eligible for benefits under the provisions of the Job Training Partnership Act (Public Law 97-300, as amended); or
- a recipient of public assistance benefits at any time during the previous two years; or
- an individual whose income is below the most recently established poverty rate promulgated by the U.S. Department of Commerce, Bureau of Census; or
- a member of a family whose family income is below the most recently established poverty rate promulgated by the U.S. Department of Commerce, Bureau of Census.

Any employee who qualified as a targeted employee at the time of initial employment will qualify as a targeted employee for subsequent years as long as he or she continues to receive EDZ wages and remains a resident of New York State.

The Department of Labor (DOL) is required to provide a certificate verifying the targeted status of an individual for use by an employer seeking wage tax credits under the EDZ program. The Tax Department will only recognize Form ES 450, issued by the DOL, and signed by a DOL representative as proof of targeted status under the Wage Tax Credit program.

*Family* means a group of two or more persons (one of whom is the householder) related by birth, marriage or adoption and residing together; all such persons (including related subfamily members) are considered members of the same family.

*New business* under Article 9-A, section 210.12(j), means any corporation **except**:

- a corporation in which over 50% of the number of shares of stock entitling their holders to vote for the election of directors or trustees is owned or controlled either directly or indirectly by a taxpayer subject to tax under Article 9-A; Article 9, section 183, 184, 185 or 186; Article 32; or Article 33 of the Tax Law; or
- a corporation that is substantially similar in operation and in ownership to a business entity taxable, or previously taxable, under Article 9-A; Article 9, section 183, 184, 185 or 186; Article 32; Article 33; or Article 23 of the Tax Law, or that would have been subject to tax under Article 23, as such article was in effect on January 1, 1980; or
- a corporation, the income or losses of which are or were includable under Article 22 of the Tax Law, whereby the intent and purposes of section 210.19(e) with respect to refunding of credit to new businesses would be evaded; or
- a corporation that has been subject to tax under Article 9-A for more than four tax years (excluding short periods) before each tax year during which the taxpayer became eligible for the EDZ wage tax credit (that is, the year for which the credit is allowed).

*Owner of a new business* under Article 22, section 606(a)10, means an individual who is either a sole proprietor or a member of a partnership unless:

- the individual previously received a refund of a wage tax credit; or
- the business entity of which the individual is an owner is substantially similar in operation and in ownership to:
  - a business entity taxable or previously taxable under Article 9-A; Article 9, section 183, 184, 185 or 186; Article 32; or Article 33 of the Tax Law; or
  - a business entity that would have been subject to tax under Article 23 (as it was in effect on January 1, 1980); or
  - a business entity with income or losses that are or were includable under Article 22 if the intent and purpose of section 606(k)(5) with respect to refunding of credit to new business would be evaded; or
- the individual operated the new business entity for more than four years before the beginning of the tax year during which the individual first became eligible for the wage tax credit for which the refund is claimed.

## Line Instructions

Partners in a partnership, shareholders in a New York S corporation and beneficiaries of an estate or trust: complete Line A, Schedule C, and, if applicable, Schedule D.

Corporations, fiduciaries and individuals: complete all applicable schedules. However, fiduciaries and individuals should not complete Schedule D unless you elect to claim the refund for new business. For the definition of a new business, see above.

New York S corporations and partnerships complete Schedules A and B.

### Line A

**Partner** — Enter your share of the partnership's credit on Line A. Your share of the credit can be obtained from the partnership. Provide the name and identification number of the partnership.

**Shareholder** — Enter your share of the New York S corporation's credit on Line A. Your share of the credit can be obtained from the New York S corporation. Provide the name and identification number of the New York S corporation.

**Beneficiary** — Enter your share of the estate or trust credit on Line A. Your share of the credit can be obtained from the fiduciary. Provide the name and identification number of the estate or trust.

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

### Schedule A — Part I

**Line 1** — Check the **Yes** box if EDZ wages were paid by the taxpayer during the current tax year. Wages paid to an individual employed before an EDZ is designated do not qualify as EDZ wages.

Check the **No** box if EDZ wages were not paid during the current tax year. The taxpayer **will not** qualify to compute the EDZ wage tax credit in Schedule B for the current tax year. However, the taxpayer may claim as an EDZ wage tax credit for the current tax year any EDZ wage tax credit carryforward from a preceding tax year in Schedule C.

### Schedule A — Part II

**Line 2** — Enter for each date specified of the current tax year the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) in New York State. Add the number of these employees on each date for the current tax year and divide by the number of such dates occurring during the current tax year to obtain the average number of full-time employees for the current tax year.

Example:

Current tax year	3/31	6/30	9/30	12/31	Total	
Number of full-time employees in New York State 1998	0	100	125	175	400	
2. Average number of full-time employees in New York State for current tax year (400 divided by 4)					2	100

**Line 3** — Enter for each date specified of the four-year period immediately preceding the first tax year in which the EDZ wage tax credit is claimed (i.e., the four-year test period), the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) in New York State. Add the number of full-time employees for the four-year test period and divide by the number of such dates occurring during the four-year test period to obtain the average number of full-time employees for the four-year test period.

If the taxpayer provided full-time employment in New York State for only part of the four years immediately preceding the first year in which the EDZ wage tax credit is claimed, then the *four-year period* will be deemed to refer to that part.

If the taxpayer did not provide full-time employment in New York State in any of the four years immediately preceding the first year in which the EDZ wage tax credit is claimed, enter "0" on line 3.

Example:

Number of full-time employees in New York State during four-year test period	3/31	6/30	9/30	12/31	Total	
Number in 1st year 1997	100	100	100	100	400	
Number in 2nd year 1996	50	75	75	100	300	
Number in 3rd year 1995			40	50	90	
Number in 4th year 1994						
Total number of full-time employees in New York State for four-year test period					790	
3. Average number of full-time employees in New York State for four-year test period (Average number of full-time employees on line 2 must exceed average number of full-time employees on line 3)					3	79*

\* If the taxpayer began providing full-time employment in New York State on July 1, 1995, and had full-time employees in New York State for the dates September 30, 1995, through December 31, 1997, the taxpayer would make no entries for the dates prior to July 1, 1995. Thus, the taxpayer would divide 790 by 10 to obtain 79.

The average number of full-time employees in New York State for the current tax year (line 2) must exceed the average number of full-time employees in New York State for the four-year test period (line 3). If line 2 does not exceed line 3, the taxpayer will **not** qualify to compute the EDZ wage tax credit in Schedule B for the current tax year. However, the taxpayer may claim as an EDZ wage tax credit for the current tax year any EDZ wage tax credit carryforward from a preceding tax year in Schedule C.

**Schedule A — Part III**

**Line 4** — Enter, for each date specified of the current tax year, the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) in the EDZ. Compute the average number of full-time employees for the current tax year in the same manner as line 2.

**Line 5** — Enter for each date specified of the four-year period immediately preceding the first tax year in which the EDZ wage tax credit is claimed (i.e., the four-year test period), the number of full-time employees (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) in the area that currently constitutes the EDZ. Compute the average number of such employees for the four-year test period in the same manner as line 3.

The average number of full-time employees in the EDZ for the current tax year (line 4) must exceed the average number of full-time employees in the area that currently constitutes the EDZ for the four-year test period (line 5). If line 4 does not exceed line

5, the taxpayer will **not** qualify to compute the EDZ wage tax credit in Schedule B for the current tax year. However, the taxpayer may claim as an EDZ wage tax credit for the current tax year any EDZ wage tax credit carryforward from a preceding tax year in Schedule C.

**Schedule B — Computation of the EDZ Wage Tax Credit for the Current Tax Year**

**Part I — Computation of EDZ wage tax credit**

**Line 6** — Enter for each date specified of the current tax year the number of qualified employees (excluding general executive officers for taxpayers under Article 9-A, 32 and 33) who meet all three of the following requirements:

- were targeted employees; and
- received EDZ wages for more than half of the current tax year; and
- received an hourly wage that is at least 135% of the minimum wage specified in section 652 of the Labor Law for more than half of the employee's period of employment during the current tax year.

Add the number of qualified employees for the current tax year and divide by the number of such dates (include "0" dates) occurring during the current tax year to obtain the average number of qualified employees for the current tax year (see the example at line 2 instructions).

**Part II — Computation of EDZ wage tax credit for employees not included in Schedule B, Part I**

**Line 9** — Enter for each quarter of the current tax year the number of qualified employees (excluding general executive officers for taxpayers under Articles 9-A, 32 and 33) who meet both of the following requirements:

- were not included in Schedule B, Part I, line 6; and
- received EDZ wages for more than half of the current tax year.

Add the number of qualified employees for the current tax year and divide by the number of such dates (include "0" dates) occurring during the current tax year to obtain the average number of qualified employees for the current tax year (see the example at line 2 instructions).

**Part III — Computation of EDZ wage tax credit for the current year**

**Line 12** — Corporations and individuals: enter the amount on line 12 and line 14.

Partnerships: transfer the line 12 amount to Form IT-204, line 26. New York S corporations: transfer the line 12 amount to Form CT-34-SH, line 13.

Estates or trusts must allocate or assign the credit to itself and its beneficiaries in the same manner that the income of the estate or trust is allocated. An estate or trust should only enter its share of the line 12 amount on line 14.

If you computed an EDZ wage tax credit on line 12, you must complete the additional information requested for Schedule B.

**Schedule C — Computation of the EDZ Wage Tax Credit Allowed for the Current Tax Year**

**Line 13** — Enter the amount of the EDZ wage tax credit carryforward from the tax year immediately preceding the current tax year.

**Line 14** — Corporations and individuals: enter the EDZ wage tax credit computed for the current tax year as shown on line 12. Estates or trusts: enter only its share of the EDZ wage tax credit amount shown on line 12. Enter "0" if you did not compute an EDZ wage tax credit on Schedule B for the current tax year. Partner in a partnership, New York S corporation shareholder or a beneficiary of an estate or trust: enter the EDZ wage tax credit as shown on line A.

**Line 16** — Enter the current year's tax after the addition of the tax on subsidiary capital and before the deduction of any tax credit or the addition of the MTA surcharge. The EDZ wage tax credit cannot be applied against the MTA surcharge. Article 9-A taxpayers: enter tax shown on Form CT-3, line 78 or Form CT-3-A, line 77. Article 22 taxpayers: enter the total tax shown on Form IT-201, line 36, and Form IT-230-I, Worksheet A, line 1; or Form IT-203, line 44 and Form IT-203-ATT, line 15; or Form IT-205, line 8 if a resident, or line 9, if a nonresident or part-year resident. Article 32 taxpayers: enter tax shown on Form CT-32, line 5, or Form CT-32-A, Schedule A, line 5. Article 33 taxpayers: enter tax shown on Form CT-33, line 11, or Form CT-33-A, line 12 or line 16, whichever is less.

**Line 17** — Article 9-A, 32 and 33 taxpayers: enter 50% of the tax from line 16. Article 22 taxpayers filing a joint return: enter 50% of the tax from line 16. For a husband or wife required to file a separate return, the credit is limited to 25% of the tax from line 16. However, if the taxpayer's spouse has no carryforward of the wage tax credit allowable and has no EDZ wage tax credit for the tax year that ends with or within the taxpayer's taxable year, the limit is 50%. For an estate or trust, the EDZ wage tax credit is limited to an amount that bears the same ratio to 50% as the portion of the income of the estate or trust that is not allocated to beneficiaries bears to the total income of the estate or trust.

**Line 18** — Enter the tax limitation to which the EDZ wage tax credit cannot be applied.

**Line 20** — Enter the EDZ wage tax credit limitation for the current tax year, which is the lesser of line 17 or line 19. Example: If line 17 is \$4,500 and line 19 is \$3,000, enter \$3,000 on line 20.

**Line 21** — Article 9-A taxpayers: transfer the line 21 amount to Form CT-3, line 100; or Form CT-3-A, line 101. Article 22 taxpayers: transfer the line 21 amount to Form IT-201-ATT, line 44; Form IT-203-ATT, line 47; or Form IT-205, line 10. Article 32 taxpayers: transfer the line 21 amount to Form CT-32, line 6, or CT-32-A, Schedule A, line 6. Article 33 taxpayers: transfer the line 21 amount to Form CT-33, line 12; or Form CT-33-A, line 17.

**Line 22** — To determine the unused EDZ wage tax credit, which can be carried forward to future years, subtract line 21 from line 15. You will need to refer to this figure when completing your 1999 Form DTF-601. Any portion of the EDZ wage tax credit (including any wage tax credit carryforward from a preceding tax year) that is disallowed in the current tax year as a result of the limitations may be carried forward. If line 21 is larger than line 15, enter "0."

### Schedule D — Computation of Refundable EDZ Wage Tax Credit

Certain taxpayers may elect to treat a portion of the current year's EDZ wage tax credit available as a carryforward as an overpayment of tax to be refunded. The election applies to an EDZ wage tax credit computed for a current tax year beginning on or after January 1, 1994. Any EDZ wage tax credit or EDZ wage tax credit carryforward computed for a tax year beginning before January 1, 1994, does not qualify.

The election may be made by either:

- an Article 9-A taxpayer qualifying as a new business under section 210.12(j), or
- an Article 22 taxpayer qualifying as the owner of a new business under section 606(a)10.

Once made, the election may not be revoked. Interest will not be paid on any overpayment of tax refunded on line 27.

**Line 26** — Article 9-A taxpayers making this election: enter 50% on line 26.

Article 22 taxpayers making this election: enter on line 26 either 50% (.50) or 25% (.25), whichever applies. See the instructions for Schedule C, line 17.

**Line 27** — Article 9-A taxpayers: enter the EDZ refundable wage tax credit on Form CT-3, line 99; or Form CT-3-A, line 100.

Article 22 taxpayers: enter the refundable EDZ wage tax credit on Form IT-201-ATT, line 60, Form IT-203-ATT, line 62; or Form IT-205, line 34.

Taxpayers not eligible for the refundable wage tax credit: enter "0" on line 27.

### Privacy Notification

The right of the Commissioner of Taxation and Finance and the Department of Taxation and Finance to collect and maintain personal information, including mandatory disclosure of social security numbers in the manner required by tax regulations, instructions, and forms, is found in Articles 22, 26, 26-A, 26-B, 30, 30-A, and 30-B of the Tax Law; Article 2-E of the General City Law; and 42 USC 405(c)(2)(C)(i).

The Tax Department will use this information primarily to determine and administer tax liabilities due the state and city of New York and the city of Yonkers. We will also use this information for certain tax offset and exchange of tax information programs authorized by law, and for any other purpose authorized by law.

Information concerning quarterly wages paid to employees and identified by unique random identifying code numbers to preserve the privacy of the employees' names and social security numbers will be provided to certain state agencies for research purposes to evaluate the effectiveness of certain employment and training programs.

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

This information will be maintained by the Director of the Registration and Data Services Bureau, NYS Tax Department, Building 8 Room 924, W A Harriman Campus, Albany NY 12227; telephone 1 800 225-5829. From areas outside the U.S. and outside Canada, call (518) 485-6800.