



# Instructions for Form CT-604-CP

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

### New for 2002

Chapter 85 of the Laws of 2002 made several changes to the qualified empire zone enterprise (QEZE) credits. Included were changes to the computation of the employment number, the addition of limitation and recapture provisions to the real property tax credit, and restrictions on including employees in the computation of employment number who were employed by a related person, as *related person* is defined by IRC 465(3)(b)(C). These changes have been incorporated in Form CT-604-CP for 2002. See TSB-M-02(5)C for information on these legislative changes. Visit the *Corporation Tax Up-To-Date Information* page on our Web site at [www.tax.state.ny.us](http://www.tax.state.ny.us) for tax law changes or forms corrections that occurred after the forms and instructions were printed.

### General information

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

This form has been provided for **corporate partners** of a QEZE to claim the QEZE tax credits. All other corporations complete Form CT-604.

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

Note: If you are a partner in more than one partnership, complete a separate Form CT-604-CP for each partnership.

### QEZE credit for real property taxes

The QEZE credit for real property taxes is allowed for taxes paid or incurred on real property owned by the QEZE and located in the empire zone (EZ) in which the QEZE is certified, provided that the taxes become a lien on the real property during a tax year in which the owner is both certified and a QEZE. The amount of the credit is the product of (1) the benefit period factor, (2) the employment increase factor, and (3) the eligible real property taxes paid or incurred by the QEZE during the current tax year.

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

When 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 Article 7 of the real property Tax Law 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 which is required to be recaptured for each year based on the reduction. The recapture will be computed by the partnership. The corporate partner will report its share of the credit after recapture on Form CT-604-CP, line 1.

The QEZE credit for real property taxes may not reduce the tax to less than:

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

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

### QEZE tax reduction credit

The QEZE tax reduction credit is allowed against the corporate franchise tax under Article 9-A, 32, or 33, and is the product of (1) the benefit period factor, (2) the employment increase factor, (3) the zone allocation factor, and (4) the tax factor.

The QEZE tax reduction credit may not reduce the tax to less than:

- the fixed dollar minimum tax under Article 9-A (however, a partner in a QEZE that has a zone allocation factor of 100% is not subject to this limitation and may reduce the tax to zero); or
- \$250 for Article 32 or 33 filers.

The QEZE tax reduction credit is not refundable. Any amount not deductible in the current tax year cannot be refunded, carried over, or applied as an overpayment against next year's tax.

### Definitions

For additional definitions, see Form CT-604-I.

*A qualified empire zone enterprise (QEZE)* is a business enterprise that is certified as eligible to receive benefits under Article 18-B of the General Municipal Law prior to July 1, 2005, and that annually meets the employment test.

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

*Benefit period factor* is a number from zero to one, based on the tax year of the benefit period. Obtain this factor from the partnership.

*Zone allocation factor* is a percentage that represents the economic presence of the partnership in the EZ in which it is certified. Obtain this factor from the partnership.

*Eligible real property taxes* are the taxes for the current tax year imposed on the QEZE partnership's real property located in the EZ for which the QEZE partnership is certified, provided that the taxes become a lien on the real property during the tax year. In addition, eligible real property taxes include payments made by the QEZE partnership in lieu of taxes, (PILOT payments) to the state, to a municipal corporation, or to a public benefit corporation. However, PILOT payments made by the QEZE partnership under a written agreement executed or amended on or after January 1, 2002, will not constitute eligible real property taxes unless both the Department of Economic Development and the Office of Real Property Services approve the written agreement.

*Tax factor* is the tax calculated each applicable article of the Tax Law that is based on income. If an article provides for two tax measures based on income, the higher of the two is the tax factor. Corporate partners compute this factor on line 14.

### Specific instructions

Enter on the front of Form CT-604-CP the name and the employer identification number of the QEZE partnership.

**Line 3** - If you are applying multiple credits, see your franchise tax return instructions to determine the order of credits that applies. If

filing Form CT-604, and/or more than one Form CT-604-CP, include any amount of QEZE credit for real property taxes and QEZE tax reduction credit that you are claiming that you wish to apply before the QEZE credit for real property taxes being claimed on this form.

**Line 7 - Article 9-A filers** - Transfer the amount on this line to your franchise tax return. For Form CT-3, use the box labeled *Form CT-604* (enter amount from Form 604, line 29) under *Recap of credits claimed on line 79 against current year's franchise tax*. If you are filing Form CT-3-A, use the box labeled *Form CT-604* (line 29), under *Recap of credits claimed on line 78 against current year's franchise tax*.

**Article 32 filers** - Transfer the amount on this line to your franchise tax return. For Form CT-32 or CT-32-A, use the box labeled *Form CT-604 QEZE credit for real property taxes* under *Recap of tax credits claimed on line 6 against current year's franchise tax*.

**Article 33 filers** - Transfer the amount on this line to your franchise tax return. For Form CT-33, use the box labeled *Form CT-604 QEZE credit for real property taxes*, under *Recap of tax credits claimed against current year's franchise tax return*. If you are filing Form CT-33-A, use the box labeled *Form CT-604 QEZE credit for real property taxes* under *Recap of tax credits claimed against current year's combined franchise tax return*.

**Line 9** - Enter the amount of line 8 that you wish refunded, and transfer this amount to the appropriate line of your franchise tax return.

**Line 10** - Any amount of credit not being utilized or refunded may be claimed as an overpayment of tax to be applied against the MTA surcharge or next year's tax liability. Enter this amount on the appropriate line of your franchise tax return.

**Line 14-A - Article 9-A filers** - Enter the larger of the tax on the entire net income base or the tax on the minimum taxable income base from Form CT-3 or CT-3-A.

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

**Article 33** - Enter the larger of the tax on the entire net income base or the alternative tax from Form CT-33 or CT-33-A.

**Line 14-B** - Enter your pro rata share of New York **partnership** income derived from the QEZE partnership allocated to New York State. *Partnership income* means the partnership items of income, gain, loss and deduction, and the associated New York modifications included in:

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

To allocate your pro-rata share of the QEZE partnership income to New York State use the following worksheet:

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

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

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

**Line 21 - Article 9-A filers** - Transfer the amount on this line to your franchise tax return. For Form CT-3, use the box labeled *Form CT-604* (enter amount from Form 604, line 43) under *Recap of credits claimed on line 79 against current year's franchise tax*. If you are filing Form CT-3-A, use the box labeled *Form CT-604* (line 43), under *Recap of credits claimed on line 78 against current year's franchise tax*.

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

**Article 33 filers** - Transfer the amount on this line to your franchise tax return. For Form CT-33, use the box labeled *Form CT-604 QEZE tax reduction credit*, under *Recap of tax credits claimed against current year's franchise tax return*. If you are filing Form CT-33-A, use the box labeled *Form CT-604 QEZE tax reduction credit*, under *Recap of tax credits claimed against current year's combined franchise tax return*.

**Privacy notification**

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

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

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

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

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

**Need help?**



Business tax information: 1 800 972-1233  
Forms and publications: 1 800 462-8100

From areas outside the U.S. and outside Canada: (518) 485-6800

Fax-on-demand forms: 1 800 748-3676

Hearing and speech impaired (telecommunications device for the deaf (TDD) callers only): 1 800 634-2110



**Internet access:** [www.tax.state.ny.us](http://www.tax.state.ny.us)