



Instructions for Form CT-44

Claim for Investment Tax Credit for the Financial Services Industry

Tax Law — Sections 210.12, 210.12-D, 1456(i), 1511(q)

CT-44-I

General information

General business corporations, banking corporations, and insurance corporations may claim an investment tax credit (ITC) under section 210.12, section 1456(i), or section 1511(q), respectively, against the tax imposed by Article 9-A, Article 32, or Article 33 for the tax year during which qualified property is placed in service. For Article 9-A or Article 32 filers the property must be placed in service on or after October 1, 1998, and before October 1, 2008. For Article 33 filers, the property must be placed in service on or after January 1, 2002, and before October 1, 2008.

To claim the credit, all or a substantial portion of the employees performing the administrative and support functions resulting from or related to the qualifying uses of the property must be located in New York State. See Schedule A, Parts 1 and 2 for more information.

Compute the ITC on the investment credit base. The *investment credit base* is the cost, or other basis when placed in service in New York State for federal income tax purposes, of qualified tangible property, including buildings and structural components of buildings, less the amount of nonqualified nonrecourse financing for the property. Do not include in the investment credit base any amount that was expensed under Internal Revenue Code (IRC) section 179(a).

Section 210.12-D allows an **employment incentive credit (EIC)** for two years immediately succeeding the tax year in which an ITC is allowed. This credit is available to Article 9-A filers only. See the instructions for Schedule B for details.

The ITC and the EIC may not reduce the tax liability to less than the greater of the tax on minimum taxable income or the fixed dollar minimum tax for Article 9-A filers, or to the fixed dollar minimum for Article 32 and Article 33 filers.

Any portion of these credits that cannot be used to reduce the current year tax liability may be carried forward to following years. An ITC or EIC may be carried forward for up to 15 tax years (10 tax years for a New York S corporation).

A corporation that qualifies as a new business may elect to receive a refund of the ITC or have the refund applied as an overpayment to the following year tax liability instead of carrying forward the unused portion. No interest is paid on the refund. For definition of a new business, see the instructions for line 36 on page 4. You cannot claim the ITC if you elected to claim an empire zone (EZ) ITC for qualifying property placed in service in an EZ (Tax Law section 210.12-B).

Qualified property

Qualified property for the ITC is tangible property, including buildings and structural components of buildings, that:

- was acquired, constructed, reconstructed, or erected by the taxpayer on or after October 1, 1998 (for Article 33 filers: on or after January 1, 2002), and before October 1, 2008;
- is depreciable under IRC section 167 or 168;
- has a useful life of four years or more;
- was acquired by the taxpayer by purchase under IRC section 179(d);
- is located in New York State; and
- is principally used in the ordinary course of the taxpayer's business:
 - as a broker or dealer in connection with the purchase or sale of stocks, bonds, other securities (IRC section 475(c)(2)), or of commodities (IRC section 475(e)), or in providing lending, loan arrangement, or loan origination services to customers in connection with the purchase or sale of securities (IRC section 475(c)(2));
 - providing investment advisory services for a regulated investment company (IRC section 851);

- as an exchange registered as a national securities exchange (sections 3(A)(1) and 6(A) of the Securities Exchange Act of 1934);
- as a board of trade (Not-for-Profit Corporation Law section 1410(a)); or
- as an entity that is wholly owned by one or more such national securities exchanges or boards of trade and that provides them with automation or technical services (available to Article 9-A taxpayers only).

Though the property must be located in New York State, it is not necessary for the users of the property to be located in New York State. For example, a computer system that is placed in service in New York State would qualify for the credit, even if the brokers accessing the system are located outside the state.

Property leased to a broker, dealer, national securities exchange, board of trade, or any entity wholly owned by a national securities exchange or board of trade, as described above, that is an affiliate of the taxpayer and that principally uses the property in the qualifying activities listed above qualifies for the credit, provided it otherwise meets the criteria for qualified property. Any contract or agreement to lease or rent, or for a license to use the property, is considered a lease. In addition, property qualifies if it meets the criteria and is purchased by the taxpayer, but is principally used by a broker, dealer, national securities exchange, or board of trade that is an affiliate of the taxpayer in the qualifying activities listed above.

If qualified property is purchased using nonqualified nonrecourse financing, the investment credit base must be reduced by the amount of financing that would be excludable from the credit base pursuant to IRC section 49(a)(1). If at the close of a tax year following the tax year in which the property was placed in service, there is a net decrease in the amount of nonqualified nonrecourse financing with respect to the property, the net decrease is to be treated as the cost or other basis of qualified property acquired, constructed, reconstructed, or erected during the year of the decrease.

If qualified property is acquired to replace other insured property that was stolen or was destroyed by fire, storm, shipwreck, or other casualty, the basis of the replacement property is its cost reduced by any amount of gain not recognized for federal income tax purposes because the insurance proceeds were invested in the replacement. If qualified property is acquired to replace property destroyed as a direct result of the terrorist attacks of September 11, 2001, and you did not elect to defer recapture, or escaped recapture because you met the employment test, you may compute the investment credit base of the replacement property without regard to any basis reduction required by IRC section 1033.

Recapture of credit – You must compute a recapture of ITC previously allowed, if the property was stolen, destroyed, disposed of, or ceases to be in qualified use prior to the end of its useful life, or if there is an increase in nonqualified nonrecourse financing. See Schedule C instructions on page 4.

Definitions

Affiliate means the following:

- A partnership 80% or more of whose interest in the partnership's capital or profits is owned or controlled, directly or indirectly, by the taxpayer.
- A corporation 80% or more of whose voting stock is owned or controlled, directly or indirectly, by the taxpayer.
- A corporation that owns or controls, directly or indirectly, 80% or more of the voting stock of the taxpayer.
- A corporation 80% or more of whose voting stock is owned or controlled, directly or indirectly, by the entity that owns or controls, directly or indirectly, 80% or more of the voting stock of the taxpayer.

Commodities, as referred to in these instructions, are those defined in IRC section 475(e)(2).

Cost is the basis of property as defined in IRC section 1012.

Life or useful life (of property) is the depreciable life as provided by IRC section 167 or 168.

Nonqualified nonrecourse financing is any amount for which a taxpayer is protected against loss and, generally, any amount borrowed from a person who has an interest (other than as a creditor) in the activity in which the property is used, or from someone related to a person (other than the taxpayer) who has an interest in the activity. Nonrecourse financing is nonqualified if it is not qualified commercial financing as defined in IRC section 49(a)(1).

Other basis means the adjusted basis for determining gain or loss used as the basis for depreciation under IRC section 167(g).

Principally used means used more than 50%. A building or an addition to a building is principally used in qualifying activities if more than 50% of its usable business floor space is used in qualifying activities. Floor space used for bathrooms, cafeterias, and lounges is not usable business floor space. Equipment is principally used in qualifying activities when it is used in such activities more than 50% of its operating time. Operating time may be determined based on actual time, cost allocations to individual business units, or any other reasonable method that accurately reflects operating time.

Purchase or sale includes, but is not limited to, the issuance, entering into, assumption, offset, assignment, termination, or transfer of stocks, bonds, commodities, or other securities.

A *security* is defined in IRC section 475(c)(2).

All references to *current tax year* mean the tax year covered by this claim.

Bank or insurance corporation as a dealer: A bank or insurance corporation is acting as a dealer when the corporation does **either** of the following:

- Regularly purchases securities (as defined in IRC section 475(c)(2)) or commodities (as defined in IRC section 475(e)) from or sells securities or commodities to customers in the ordinary course of its trade or business.
- Regularly offers to enter into, assume, offset, assign, or otherwise terminate positions in securities or commodities with customers in the ordinary course of its trade or business.

The credit is not allowed for property located in the bank or insurance corporation's trading department, unless the property is principally used by the taxpayer in the ordinary course of the taxpayer's business as a dealer. On audit, it will be necessary for the taxpayer to demonstrate that the qualified property is principally used in the ordinary course of the taxpayer's business as a dealer.

Line instructions

Schedule A — Investment tax credit

To claim this credit, all or a substantial portion of the employees performing the administrative and support functions resulting from or related to the qualifying uses of the property must be located in New York State. *All or a substantial portion* means 80%. For example, if you have a quarterly average of 1,000 employees performing the administrative and support functions during your tax year, then a quarterly average of at least 800 (1,000 x 80%) of the employees must be located in New York State. If you are claiming credit based on having met the 80% test, then you must complete Schedule A, Part 1. For more information on this eligibility test, see TSB-A-03(10)C.

Another method to meet this requirement is to maintain the requisite number of employees performing administrative and support functions in New York State during the tax year in which the property is placed in service and the credit claimed (the 95% back-office test). A taxpayer is presumed to have maintained the requisite number of employees if the average number of employees performing the administrative and support functions is at least 95%

of the average number of employees performing these functions during the 36 months immediately preceding the year in which the credit is claimed. You must compute the average number of employees on a quarterly basis. (If the property is used by an affiliate in qualifying activities, it is the affiliate that must meet either the 80% test or the back-office test.) If you are claiming credit based on the 95% back-office test, complete Schedule A, Part 2. For more information on this eligibility test, see TSB-M-98(8)C, *Tax Credits for the Financial Services Industry*.

Employees performing administrative and support functions include all employees other than brokers, dealers, or investment advisors to regulated investment companies. Generally, any employee whose compensation for the tax year is based more than 50% on commissions is presumed to be a broker, dealer, or investment advisor. However, if you do not compensate those employees who are employed as brokers, dealers, or investment advisors on a commission basis, you must specifically identify the employees performing those functions and exclude those employees from the employment percentage calculation.

Article 32 or Article 33 — To determine eligibility, include only those employees employed in the department or departments of the bank or insurance corporation that perform the broker, dealer, or investment advisory functions.

National securities exchange, board of trade, or their wholly owned entities — Identify those employees who are performing the administrative and support functions resulting from or related to the activities of the securities exchange, board of trade, or other entity, and calculate eligibility using those employees.

Combined filers under Articles 9-A, 32, and 33 — To determine eligibility, apply the appropriate method on an individual entity basis for each company claiming a credit.

If your corporation **does not meet the eligibility requirements** as stated above, **do not complete Schedule A, Part 3**. You are **not eligible** for the ITC. However, you must complete Schedule B if you are eligible for the EIC (Article 9-A only). You must complete Schedule C if you need to recapture a credit previously taken. You must also complete the *Summary of tax credit(s)* and the *Computation of ITC, refunded, or carried forward* sections if you are claiming an ITC, an EIC, or both.

Part 1 — 80% test

Use Schedule A, Part I if you wish to claim the credit using the 80% test eligibility method.

Line 1 — Enter the number of employees who perform administrative and support functions in New York State for each date specified for the current tax year. Add columns A through D (include zero dates), then divide by four to obtain the average number of employees in New York State for the current tax year.

Line 2 — Enter the number of employees who perform administrative and support functions everywhere for each date specified for the current tax year. Add columns A through D (include zero dates), then divide by four to obtain the average number of employees everywhere for the current tax year.

Line 3 — Divide line 1 by line 2 to obtain the percentage of employees who perform administrative and support functions in New York State for the current tax year. If your result equals or exceeds 80%, continue with Schedule A, Part 3. You qualify for the ITC.

Part 2 — 95% back-office test

Use Schedule A, Part 2 if you wish to claim the credit using the 95% back-office test eligibility method.

Line 4 — In columns A through D enter the number of employees who performed administrative and support functions in New York State during the current tax year on the dates listed. Add columns A through D and enter the total in column E.

Lines 5 through 7 — Enter the number of employees who performed administrative and support functions in New York State, on each of the dates listed for the 36 months immediately preceding the year in which you claimed the ITC. Add columns A through D, and enter the total in column E for each line.

If your corporation provided employment in New York State for only part of the 36-month test period, enter the number of employees in each quarter in which you had employment in New York State. If your corporation did not provide employment in New York State at any time during the 36-month test period, skip lines 3 through 10 and enter **100** on line 11.

Line 11 — Divide line 8 by line 10. If the result equals or exceeds **95%**, complete Schedule A, Part 3.

Example:

Part 2 – 95% Back-office test

Number of administrative and support employees in New York State on date specified					
	A 3/31	B 6/30	C 9/30	D 12/31	E Total (A+B+C+D)
4 Current tax year	100	100	125	175	500
5 First test year	100	100	100	100	400
6 Second test year	50	75	75	100	300
7 Third test year	0	0	40	50	90

Line 8 $500 \div 4 = 125$
 Line 9 $400 + 300 + 90 = 790$
 Line 10 $790 \div 12 = 66$
 Line 11 $125 \div 66 = 189\%$

Part 3 — Computation of ITC

Columns A and B — Describe the qualified property placed in service during this tax period. You must list individual items separately and you may not show them as one general category. Attach additional pages if necessary.

Column D — Enter the useful life of each item claimed. Do not use the recovery period of depreciation under the Accelerated Cost Recovery System (ACRS) or the Modified Accelerated Cost Recovery System (MACRS).

Column E — Enter your cost or other basis (see *Definitions*). Corporate partners: enter your allocable share of the cost or other basis in the partnership's property listed in column A.

Column F — New York C corporations: Use the appropriate rate from *Rate schedule 1* on the front page of Form CT-44. New York S corporations: Use a 4% rate.

Schedule B — Employment incentive credit

Part 1 — Eligibility for EIC

This credit is for Article 9-A filers only. **Do not complete Schedule B** if your corporation is not subject to tax under Article 9-A.

When a corporation is allowed an ITC, the corporation may be eligible for an EIC for the next two immediately succeeding tax years. However, the credit is not allowed for those years if the corporation's average number of employees in New York State during the current tax year is not at least 101% of the average number of employees in New York State during the employment base year.

A corporation that has claimed an ITC for property it purchased that is principally used by an affiliate of the corporation may also be eligible for an EIC. In this case, the credit is allowed based on the corporation's average number of employees in New York State. The number of the affiliate's employees are not taken into consideration.

Employment base year means the calendar tax year or fiscal tax year immediately preceding the ITC year, or, if the corporation was not taxable in New York State in the preceding year, the year in which the ITC was allowed. Complete Schedule B, Part 1, to see if your corporation qualifies for the EIC.

Section 210.12-D(b) defines *the average number of employees* as the total number of employees that are employed within New York State on March 31, June 30, September 30, and December 31 of the current tax year divided by the number of these dates occurring during the tax period. Employees must be located in New York State. **Do not include general executive officers.**

Example:

A corporation filing a report for a fiscal period beginning September 1, 2004, and ending August 31, 2005, would use the following dates to compute the number of New York State employees for that fiscal year: September 30, 2004, December 31, 2004, March 31, 2005, and June 30, 2005.

Complete Part 1 for each period listed in Part 2 for which you claimed an EIC. Exclude any employee for whom you claimed a zone equivalent area (ZEA) wage tax credit based on employment within a ZEA. However, include these employees for the employment base year on lines 3 and 5.

Column A — Enter the current tax year and the base year. The *current tax year* is the tax year covered by this claim.

Columns B, C, D, and E — Enter the total number of employees employed in New York State on each of the dates listed that occurred during your tax year.

Column G — Unless you have a short tax year (less than 12 months), divide the amount in column F by four. If you have a short tax year, divide the amount in column F by the number of dates shown in columns B through E that occur during the short year.

Column H — Divide the average number of employees in the current tax year by the average number of employees in the base year. Carry the result to two decimal places. If the percentage in column H is at least 101%, (1.01), complete Schedule B, Part 2. If the percentage in column H is **less than 101%** for both tax periods, **do not complete Schedule B, Part 2. You do not qualify** for the EIC.

Part 2 — Computation of EIC

General

The amount of EIC is a percentage of the original investment credit base on which the ITC was allowed, for each of the two years immediately following the year the ITC was allowed. The percentage used to compute this credit depends on the level of employment (see *Rate schedule 2* on Form CT-44, page 2).

New York C corporations — The EIC may not reduce the tax liability to an amount less than the higher of the tax on minimum taxable income or the fixed dollar minimum.

You may carry the credit forward for up to 15 tax years. A New York C corporation cannot claim a refund of the EIC.

New York S corporations — For shareholders of a New York S corporation who claim an EIC, any excess EIC that cannot be used to reduce their current tax liability can be carried forward for up to **ten** tax years. However, a shareholder that qualifies as an owner of a new business may elect to have the excess EIC refunded. (See definition of *new business* on page 4 in the instructions for line 36.)

Schedule C — Recapture of ITC

If property on which an ITC has been allowed is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the original credit allowed and the credit allowed for actual use must be added back to the tax otherwise due in the year of disposition.

There are different formulas for computing the amount of recaptured ITC for property depreciated under IRC sections 167 and 168.

Column H

(1) For property depreciated solely under IRC section 167, the recapture formula is as follows:

$$\frac{\text{months of unused life}}{\text{months of useful life}} \times \text{original ITC allowed}$$

(2) For three-year property depreciated under IRC section 168, the recapture formula is as follows:

$$\frac{36 \text{ minus the number of months of qualified use}}{36} \times \text{original ITC allowed}$$

Recapture is only required if the property is disposed of or ceases to be in qualified use prior to the end of 36 months.

(3) For property depreciated under IRC section 168, other than three-year property, or buildings, or structural components of buildings, the formula is as follows:

$$\frac{60 \text{ minus the number of months of qualified use}}{60} \times \text{original ITC allowed}$$

Recapture is only required if the property is disposed of or ceases to be in qualified use prior to the end of 60 months.

(4) For buildings or structural components of buildings depreciated under IRC section 168, the formula is as follows:

$$\frac{\text{months of unused life}}{\text{number of months allowed by the IRC and used by the taxpayer}} \times \text{ITC allowed}$$

Property that is depreciated under IRC section 168 for federal tax purposes, but is required to be depreciated under IRC section 167 for New York State tax purposes (decoupled property), is subject to formula (1) above.

If qualified property has a useful life of more than 12 years, and it has been in use for more than 12 years, no recapture is necessary.

If there is a net increase in nonqualified nonrecourse financing at the end of the tax year, the decrease in the ITC that would have resulted from the net increase in nonqualified nonrecourse financing must be recaptured.

Line 21 — Additional recapture – You must also compute an additional recapture amount equal to the original recapture amount multiplied by the underpayment interest rate in effect on the last day of the tax year.

Summary of tax credit(s)

Line 28 — This is the net ITC available for use this period. If the amount on line 27 is greater than line 26, you have a net recaptured tax credit. Add the recaptured credit back to the tax on

your franchise tax return. S corporations report this amount on Form CT-34-SH, *New York S Corporation Shareholders' Information Schedule*.

Computation of ITC used, refunded, or carried forward (New York S corporations do not complete this section)

Line 30 — If you are claiming more than one credit, enter the amount of the credits claimed before this credit. Otherwise, enter **0**. Life insurance corporations exclude any EZ or ZEA credits.

If filing as a member of a combined group, include any amount of tax credit(s), including ITC(s), being claimed by other members of the combined group that you wish to apply before this credit.

See the instructions for Form CT-3, *General Business Corporation Franchise Tax Return*; Form CT-3-A, *General Business Corporation Combined Franchise Tax Return*; Form CT-32, *Banking Corporation Franchise Tax Return*; Form CT-32-A, *Banking Corporation Combined Tax Return*; Form CT-33, *Life Insurance Corporation Franchise Tax Return*; Form CT-33-NL, *Non-Life Insurance Corporation Franchise Tax Return*; or Form CT-33-A, *Life Insurance Corporation Combined Franchise Tax Return* for a listing of credits and the order in which the credits are applied. Article 9-A taxpayers: Refer to Form CT-600, *Ordering of Corporation Tax Credits*, to determine proper ordering of multiple credits.

Line 36 — A corporation that is eligible to claim an ITC and is also a new business as defined in section 210.12(j) 1456(i), or 1511(q) may elect to receive a refund of its unused ITC, or have the refund applied to the following year's tax instead of carrying the credit forward. No interest will be paid on this refund. A *new business* is defined as any business **except** the following:

- A corporation in which more than 50% of the number of shares of stock entitling their holders to vote for the election of directors or trustees is owned by a taxpayer subject to tax under Tax Law Article 9, sections 183, 184, 185, or 186; Article 9-A; Article 32; or Article 33.
- A corporation substantially similar in operation and in ownership to a business entity or entities taxable or previously taxable under Article 9, sections 183, 184, 185, or 186, Article 9-A, Article 32, or Article 33; or that would have been subject to the tax under Article 23, as it was in effect on January 1, 1980; or the income (or losses) of which is (or was) includable under Article 22.
- A corporation that has been subject to tax under Article 9-A, 32, or 33 for more than five years (excluding short tax years).

Transfer the refund amount to Form CT-3, line 99a; Form CT-3-A, line 100a; Form CT-32, line 20b; Form CT-32-A, line 22b; Form CT-33, line 27a; Form CT-33-NL, line 21a; or Form CT-33-A, line 32a. To avoid the unnecessary exchange of funds, we will apply this refund against the minimum tax due and refund any balance.

Transfer the amount to be applied to the following year's tax to Form CT-3, line 99b; Form CT-3-A, line 100b; Form CT-32, line 20c; Form CT-32-A, line 22c; Form CT-33, line 27b; Form CT-33-NL, line 21b; Form CT-33-A, line 32b.