

## Information on Community Development Tax Credits

**Background:** The *Empire Zone Program* (formerly Economic Development Zone Program) encourages economic development in designated areas by offering targeted incentives and tax benefits to new and expanding businesses and not-for-profit organizations. Eligible companies can take advantage of employment, investment, real property, as well as exemption from New York State sales tax and utility cost discounts. Eligible not-for-profit organizations are awarded *Community Development Tax Credits* to encourage financial contributions from individuals and businesses to an approved project in an Empire Zone. The Empire Zones in New York City are:

Bronx - Hunts Point and Port Morris

Brooklyn - E. Brooklyn, N. Brooklyn/Brooklyn Navy Yard, & SW Brooklyn

Queens - Far Rockaway and South Jamaica

Manhattan - East Harlem

**Staten Island - North Shore** and West Shore



**50 Bay Street:** This building, purchased by Seamen's Society for Children and Families in March 2002, is located in Staten Island's North Shore Empire Zone. Seamen's Society's *Campaign for a Permanent Home and Special Endowment* seeks to raise \$1.5 million as part of this project and was approved as a community development project by the NYS Economic Development Corporation on December 14, 2002. This project has the support of the Staten Island Economic Development Corporation (SIEDC) and the NYC Economic Development Corporation. If fully used, the \$125,000 of approved *Community Development Tax Credits* would serve as an incentive to raise \$500,000 in private donations towards the campaign.

**General Tax Information:** As explained in the NYS Department of Taxation and Finance *Instructions for Form IT-602* (Claim for EZ Capital Tax Credit), Section 606(I) of the NYS Tax Law allows an Empire Zone (EZ) tax credit to be applied against the taxes imposed by Article 22, based upon qualified investments in an Empire Zone community development project.

An Empire Zone Capital Tax Credit is equal to **25% of the sum of the contributions made during the tax year** to the community development project. Section 606(I) imposes three limitations on the capital tax credit, as follows:

- 1) The credit may not exceed the tax due under Article 22;
- 2) The total amount of credit allowable to a taxpayer for all years may not exceed \$300,000; and the total credit allowed for each of the three categories of qualified investments and contributions may not exceed \$100,000; and
- 3) The credit and carryover of such credit may not exceed 50% of the tax imposed by section 601 of Article 22, without regard to any credit.

This credit is not refundable; however, any amount of credit or carryover of credit not deductible in the current tax year may be carried over to be deducted from the tax for succeeding tax years.

**Donations to Campaign:** Upon receipt of an eligible contribution to the *Campaign for a Permanent Home and Special Endowment*, Seamen's Society forwards **Form Z10** to the donor to complete. The completed form is returned to Seamen's Society and then forwarded to the SIEDC for submission to the New York State Economic Development Corporation for their approval. A signed certificate is then returned by the NYSEDC to the contributor for submission at the time of their annual tax filing.