



Cannon Heyman & Weiss, LLP

Law Practice Concentrating in Affordable Housing and Community Development Law

OVERVIEW: NY EMPIRE ZONE PROGRAM ("EZP")

(1) What is the EZP?

- The Empire Zones Program is intended to revitalize and expand New York's economy.
- Empire Zones (formerly called Economic Development Zones) are geographically defined areas where businesses have access to vacant land, existing industrial and commercial infrastructure, a skilled workforce and abundant resources such as power and water supplies.
- The Empire Zones are particularly attractive in that they offer numerous tax incentives for qualifying businesses located within the zone.

(2) What businesses are eligible for tax benefits under the EZP?

- In order to be a Qualified Empire Zone Enterprise ("QEZE") a business must be (i) located within an Empire Zone or qualify as a regionally significant project and (ii) be certified by the Commissioner of Economic Development as a QEZE.
- Qualified businesses must demonstrate that they will create new jobs and/or make investments in the empire zone and be consistent with the local zone's development plan, including a cost-benefit analysis.

(3) What must a business do to apply for QEZE status?

- A business must complete an Application for Joint Certification of an Empire Zone Enterprise.
- This application is then sent to the local zone officer who must approve the application and forward it to the Commissioner of Economic Development who must approve and send the application to the Commissioner of Labor for further approval.
- Benefits under the EZP may be claimed after certification.

(4) What are the benefits of the EZP?

- QEZEs are granted a 10-year exemption from State sales tax on purchases of goods and services (including utility services) used predominantly in an Empire Zone.
- QEZEs are allowed a refundable credit for real property taxes against business or income tax equal to a percentage of real property taxes paid in the zone.
- QEZEs are allowed a tax reduction credit against business or income tax equal to a percentage of taxes attributable to the zone enterprise.
- Wage credit is available for up to five consecutive years for QEZEs hiring full-time employees in newly created jobs. For employees in special targeted groups, this credit equals \$3,000 per year, with a credit of \$1,500 per year effective 1/1/2001, for all other new hires.
- QEZEs that create new jobs and make new investments in production, property and equipment may qualify for tax credits of up to 19% of the company's eligible investment.

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- QEZEs new to New York State are entitled to a 50% cash refund of unused EZ-wage tax credit and investment tax credit amounts. Other businesses may carry forward unused credits indefinitely.
- Special reduced electric and gas rates may be available through investor-owned utilities in New York State. Businesses that locate or expand their operations in an Empire Zone may receive significantly reduced rates.
- Purchases of building materials to be used for commercial or industrial real property located in an Empire Zone are eligible for a refund or credit of NYS sales taxes. A similar refund or credit of local sales tax may also be available from the locality.
- EZs may offer tax abatements from an increased assessment, with the abatement value based on improvements to real property for up to 10 years. This holds true for up to seven years at 100%, decreasing over the last three years of the exemption.

The content contained within this summary should not be construed as legal advice, and readers should not act upon information contained herein in the absence of professional counsel.

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