



START-UP BUSINESS FACT SHEET

START-UP NY Certificates

Once your business is approved by Empire State Development (ESD), you will receive two certificates from your sponsoring campus, university, or college. These certificates allow access to the START-UP NY tax benefits.

The following sections provide information about the two different START-UP NY certificates you will receive and the tax benefits available under each certificate.

Form STR-1, START-UP NY Sales Tax and Real Property Transfer Taxes Benefits Certificate

Your approved business may claim the sales and use tax benefit and real property transfer tax benefit beginning on the *eligibility date* shown on your Form STR-1.

The *eligibility date* can be **no sooner than** the date ESD approved your START-UP NY application. You may choose to have your sales and use tax benefit period begin on a date after the approval date, but **no later than** the date you locate in (move into) the tax-free NY area. Tell your sponsor what date you want entered on Form STR-1. Once an *eligibility date* is entered on your certificate by your sponsor, it **cannot** be changed.

A copy of your Form STR-1 must be included with any claims for:

- credit or refund of state and local sales and use taxes
- real estate transfer tax exemption

No other START-UP NY tax benefits may be claimed using Form STR 1.

Form DTF-74, Certificate of Eligibility

Your sponsor must enter the *locate date* (the date your approved business locates and begins operating in the tax-free NY area) and sign the certificate. (The DTF-74 locate date may or may not be the same as the eligibility date on Form STR-1.)

You must enter the certificate number from your Form DTF-74, *Certificate of Eligibility*, in the space provided on claim forms and Web File applications when claiming the following START-UP NY benefits:

- tax elimination credit (corporation and income tax)
- telecommunication services excise tax credit
- metropolitan commuter transportation mobility tax (MCTMT) exemption

You must have Form DTF-74 to claim these benefits. You must attach a copy of your Form DTF 74 when submitting claims for certain benefits.

If a certificate is not properly dated and signed, the Tax Department will use your ESD approval date to determine the beginning of your START-UP NY tax benefit period.

START-UP NY Tax Benefits

START-UP NY tax benefits are for certain taxes administered by the New York State Department of Taxation and Finance

START-UP NY tax benefits do not apply to federal taxes. For federal tax information, visit the Internal Revenue Service (IRS) Web site (www.irs.gov).

Sales tax – credit or refund

Your approved business may claim a credit or refund of any sales or use tax paid on purchases of tangible personal property or services. In addition, contractors, subcontractors, and repairmen can claim a credit or refund of any sales or use taxes paid on purchases of tangible personal property used in:

- erecting a structure or building for approved businesses at a location in a tax-free NY area, or
- adding to, altering, improving, maintaining, servicing, or repairing real property or land of an approved business in a tax-free NY area.

The credit or refund is allowed for 120 consecutive months beginning on the eligibility date shown on your Form STR-1.

How to claim

To claim a credit or refund of sales or use tax, you or your contractors must use Form AU-11, *Application for Credit or Refund of Sales or Use Tax*, and attach a copy of your Form STR-1.

You must still collect sales tax on taxable sales

The sales tax benefit applies only to qualifying purchases made by an approved business or by contractors, etc., performing qualifying work for an approved business. If your business will be making sales in New York State that are subject to sales tax, you must:

- **register** with the Tax Department and obtain a *Certificate of Authority*, and
- **collect** sales tax on your taxable sales, and
- file the appropriate sales and use tax returns and remit the tax to the department.

Real estate transfer tax – exemption for leases

Leases of real property located in a tax-free NY area to your approved business are exempt from the New York State real estate transfer tax. This exemption also applies to any local real estate transfer tax or local real property transfer tax imposed by a county or municipality.

How to claim

To claim this exemption, you must complete Form TP-584-SNY, *Real Estate Transfer Tax Return for START UP NY Leases*, and attach a copy of your Form STR-1.

Corporation and income taxes – tax elimination credit

The START-UP NY tax elimination credit may eliminate the corporate entity level franchise tax or personal income tax related to income earned in the tax-free NY area by your approved business. The credit is available to approved businesses, or owners of an approved business in the case of a business taxed as a sole proprietorship, partnership, or New York S corporation, for 10 consecutive tax years beginning with the tax year the business locates in the tax-free NY area.

How to claim

To claim this credit, complete the appropriate START-UP NY tax elimination credit claim form and submit it with your New York State corporate franchise tax return or personal income tax return.

- Corporate taxpayers use Form CT-638, *START-UP NY Tax Elimination Credit*; and attach a copy of Form DTF-74.
- Personal income tax taxpayers use Form IT-638, *START-UP NY Tax Elimination Credit*; partnerships must submit a copy of Form DTF-74 with Form IT-204, *Partnership Return*.

Organization tax or license and maintenance fees – exemption

If your business is located exclusively in a tax-free NY area, it is exempt from:

- the organization tax imposed under Tax Law section 180, and
- the license and maintenance fees imposed under Tax Law section 181.

For more information, see Form CT-3/4-I, *Instructions for Form CT-4, CT-3, and CT-3-ATT, General Business Corporation Franchise Tax Returns*.

Note: The tax and fees are repealed for tax years beginning on or after January 1, 2015.

Telecommunication services excise tax – credit

This credit eliminates the excise tax on telecommunication services that is passed through to and paid by your approved business for services rendered within the tax-free NY area. The credit is available for 10 consecutive tax years beginning with the tax year the business locates in a tax free NY area.

How to claim

To claim this credit, complete the appropriate START-UP NY telecommunication services excise tax credit claim form and submit it with your New York State corporate franchise tax return or personal income tax return.

- Corporate taxpayers use Form CT-640, *START-UP NY Telecommunication Services Excise Tax Credit*; and attach a copy of Form DTF-74.
- Personal income taxpayers use Form IT-640, *START-UP NY Telecommunication Services Excise Tax Credit*; partnerships must submit a copy of Form DTF-74 with Form IT-204, *Partnership Return*.

Metropolitan commuter transportation mobility tax (MCTMT) - exemption

The MCTMT applies to certain businesses in the Metropolitan Commuter Transportation District (MCTD). It also applies to certain self-employed individuals who engage in business within the MCTD.

Employers

The MCTMT exemption eliminates the MCTMT on the payroll expense attributable to your approved business location within the MCTD for 40 consecutive calendar quarters. The exemption begins with the calendar quarter during which your business locates in the tax-free NY area.

How to claim

You must Web File a quarterly MCTMT return for any calendar quarter in which your business has a total payroll expense for all covered employees (both in and outside the tax free NY area) that exceeds \$312,500. Your payroll expense attributable to your approved business in the tax-free NY area must be used to calculate the threshold and MCTMT rate; however, you are not required to pay MCTMT on the payroll expense attributable to your approved business.

You must have an *Online Services* account and Web File your quarterly MCTMT returns. The Web File application will allow you to compute and report your MCTMT exemption correctly. For more information, visit the START-UP NY Web page on the Tax Department Web site.

If you use a payroll service

Your payroll service may **not** Web upload Form MTA-305, *Employer's Quarterly Metropolitan Commuter Transportation Mobility Tax Return*. They must separately Web File for your START-UP NY business.

Self-employed individuals (including partners)

The MCTMT exemption eliminates the MCTMT on your net earnings from self-employment attributable to your approved business location within the MCTD for 10 consecutive years. The exemption begins with the tax year your business locates in the tax-free NY area.

How to claim

You must still report annual MCTMT information if your total net earnings from self employment allocated to the MCTD (both in and outside of the tax-free NY area) exceed \$50,000 for the tax year. However, your net earnings attributable to the tax free NY area within the MCTD are excluded from the computation of your MCTMT liability. For more information, visit the START-UP NY Web page on the Tax Department Web site.

- **For tax year 2014**, you must have an *Online Services* account and Web File your START-UP NY MCTMT information by the 30th day of the fourth month following the close of your tax year (April 30, 2015, if you are a calendar-year filer).
- **For tax years after 2014**, report your MCTMT annual information on your New York State personal income tax return (generally due April 15 if you are a calendar-year filer).

Recordkeeping requirements

You must keep records that allow you to prepare complete and accurate tax returns for your business. You must also keep documents, such as canceled checks, receipts, purchase orders, and sales records to support your business records. Generally, you must keep records and supporting documents for at least three years after you file a return.

Your records may be in paper, electronic format, or both. You must be able to compare records from one time period (such as month, quarter, or year) with records from another period. You must make your records available to the Tax Department if we request them. You may wish to consult a tax professional for advice about your business.

START-UP NY Benefits for Businesses

The benefits described below are the only tax credits, exemptions, and exclusions allowed under the Tax Law for START UP NY businesses.¹ For information on other taxes or fees that may apply to your business, visit the Tax Department Web site (at www.tax.ny.gov).

Sales tax

Benefit:	Credit or refund of sales and use taxes paid
Benefit period:	120 consecutive months
Starting date:	The date entered on Form STR-1 by your START-UP NY sponsor
How to claim:	Form AU-11; attach a copy of Form STR-1

Real estate transfer tax

Benefit:	Exemption from real estate transfer tax
Starting date:	The date entered on Form STR-1 by your START-UP NY sponsor
How to claim:	Form TP-584-SNY; attach a copy of Form STR-1

Corporation tax

Benefit:	Tax elimination credit; exemption from tax on business income
Benefit period:	10 consecutive tax years
Starting date:	The tax year your business locates in a tax-free NY area
How to claim:	Form CT-638; attach a copy of Form DTF-74

Benefit:	Telecommunication services excise tax credit
Benefit period:	10 consecutive tax years
Starting date:	The tax year your business locates in a tax-free NY area
How to claim:	Form CT-640; attach a copy of Form DTF-74

Benefit:	Exemption from organization tax and license and maintenance fees (the tax and fees are repealed in 2015)
Starting date:	The tax year your business locates in a tax-free NY area
How to claim:	See Form CT-3/4-I

¹An approved business is not allowed to claim any other tax credit allowed under the Tax Law with respect to its activities or employees in a tax-free NY area.

Personal income tax

Benefit: Tax elimination credit; exemption from tax on business income
Benefit period: 10 consecutive tax years
Starting date: The tax year your business locates in a tax-free NY area
How to claim: Form IT-638; partnerships must attach a copy of Form DTF-74 to Form IT-204

Benefit: Telecommunication services excise tax credit
Benefit period: 10 consecutive tax years
Starting date: The tax year your business locates in a tax-free NY area
How to claim: Form IT-640; partnerships must attach a copy of Form DTF-74 to Form IT-204

MCTMT for employers

Benefit: Exemption from MCTMT payroll tax for employers
Benefit period: 40 consecutive calendar quarters
Starting date: The calendar quarter your business locates in a tax-free NY area
How to claim: You must Web File your quarterly MCTMT returns

MCTMT for self-employed individuals

Benefit: Exemption from MCTMT for self-employed individuals
Benefit period: 10 consecutive tax years
Starting date: The tax year your business locates in a tax-free NY area
How to claim: For tax year 2014, you must Web File your MCTMT return.

For tax years after 2014, report your MCTMT information on your personal income tax return.

START-UP NY Benefits for Employees

Benefit: New York personal income tax wage exclusion
Benefit period: Dependent on the employer's benefit period
Starting date: The year in which the employer's business locates in the tax-free NY area
How to claim: Eligible employees must claim the wage exclusion on their New York State personal income tax returns