



New York State Department of Taxation and Finance
START-UP NY Employee Fact Sheet

As an *eligible employee* of a START-UP NY business, you may be able to exclude all or part of your START-UP NY wages from New York personal income tax, including:

- New York State personal income tax;
- New York City resident income tax;
- Yonkers resident income tax surcharge; and
- Yonkers nonresident earnings tax.

The wage exclusion tax benefit is for New York State income tax only

It does not apply to federal income tax. Therefore, your START-UP NY wages are subject to federal income tax.

Eligible employee

To be an *eligible employee*, you must:

- be notified by your employer that your job qualifies for the wage exclusion benefit;
- be engaged in work performed exclusively¹ at an approved business location within a tax-free NY area during the calendar year; and
- be employed at the approved business location within the tax-free NY area for at least one-half of the calendar year (183 days). If you are a newly hired employee, this means you must begin work on or before July 1 to meet this requirement for the year.

Example 1: *Business XYZ is an approved business that operates in a tax-free NY area. On April 1, 2015, John starts working for Business XYZ in a job that qualifies for the wage exclusion benefit. John works for Business XYZ at the approved business location in the tax-free NY area for the remainder of the calendar year (nine months).*

John meets all the requirements for an eligible employee and he may claim the wage exclusion benefit for all his START-UP NY wages when he files his 2015 New York State personal income tax return.

If you do not meet **all** the requirements for an eligible employee for the calendar year, you do **not** qualify for the wage exclusion for that year, and all of your wages (including your START-UP NY wages) are subject to tax.

¹ Any work performed outside the tax-free NY area must be minimal and merely incidental to the main purpose of the approved business. You may perform some work in academic facilities owned by the tax-free NY area sponsor that are outside of your employer's area, but only if the work is integral to the purpose of the approved business. See your employer if you have questions.

Example 2: *Business ABC is an approved business that operates in a tax-free NY area. On June 1, 2015, Mary starts working for Business ABC in a job that qualifies for the wage exclusion benefit. Mary works for Business ABC at the approved business location in the tax-free NY area until October 1, 2015, and then transfers to one of Business ABC's offices outside of the tax-free NY area.*

*Because Mary only worked in the approved business location in the tax-free NY area for four months, she does not meet the requirements for an eligible employee. Therefore, Mary is **not** allowed the wage exclusion benefit and **all** of Mary's wages are subject to New York State personal income tax when she files her 2015 New York State personal income tax return.*

The wage exclusion benefit period

The benefit period (ten consecutive years) begins the year your employer's approved business locates in the tax-free NY area. It **does not** depend on the date you are hired.

As an eligible employee, you are allowed the wage exclusion tax benefit **only** for years within the employer's ten-year benefit period, regardless of when you are hired. For example, if your employer's approved business locates in the tax-free NY area in 2015, the wage exclusion benefit is available to eligible employees only for tax years 2015 through 2024.

Your employer:

- must notify you that your job qualifies for the wage exclusion benefit (you must meet all the requirements for an *eligible employee* to claim the exclusion)
- must provide you with the benefit period
- will identify you to the New York State Tax Department as an *eligible employee* and report your START-UP NY wages to the department
- will report your START-UP NY wages to the Internal Revenue Service (IRS)
- should show your START-UP NY wages in box 14 of your federal Form W-2, *Wage and Tax Statement*
- may stop withholding New York State, New York City, and Yonkers income tax from your START-UP NY wages at your request; you must complete Form IT-2104-SNY, *Certificate of Exemption from Withholding for START-UP NY Program*, and give it to your employer

How to claim the wage exclusion on your New York State personal income tax return

- You must file a New York State personal income tax return, even if the START-UP NY wages are your only source of income.
- Report your START-UP NY wages on the *Wages, salaries, tips, etc.* line of your federal income tax return **and** your New York State personal income tax return.
- As an *eligible employee*, you are allowed the *START-UP NY wages* subtraction modification for all or part of your START-UP NY wages.

Follow the instructions for the New York State personal income tax return you are filing to claim the *START-UP NY wages* subtraction modification.

How to stop New York State, New York City, and Yonkers income tax withholding

Your employer will withhold all applicable New York income taxes from your START-UP NY wages. However, if you meet (or expect to meet) the requirements for an *eligible employee* for the tax year, **you may request** not to have these income taxes withheld.

- Complete Form IT-2104-SNY, *Certificate of Exemption from Withholding for START-UP NY Program*, and give it to your employer.
- Complete a new Form IT-2104-SNY each year to continue the exemption.

Be careful when stopping your withholding

If you choose not to have income tax withheld from your START-UP NY wages, there may be situations where you will end up owing New York State, New York City, or Yonkers income tax:

- if you do not meet the requirements for an *eligible employee*, or
- if you have other income that is subject to income tax.

If you have an underpayment of tax, you may be subject to penalties and interest. To avoid an underpayment, you may need to make estimated tax payments. For more information, visit the Tax Department Web site.

Questions?

- Visit the Tax Department Web site
- Call us at (518) 457-5181