Corporate Tax Credits Data

1) **Utilization**
2) **by Basis of Taxation**
3) **by Major Industry Major Industry Group**
4) **by Size of Entire Net Income**
5) **by Size of Credit Used**

Beginning Tax Year 2001

Overview

General Description

The Department of Taxation and Finance annually produces a mandated dataset of credit activity under the General Business Corporation Franchise Tax (Article 9-A) to help analyze the effects of the claims. A series of datasets presents profiles of the credits distributed by different subgroupings. These include: basis of taxation after credits; major industry group; size of entire net income; and size of credit used. Secrecy provisions preclude providing all subgroupings for all credits and also generally require the omission of credit refund data. These datasets only contains data for corporate franchise taxpayers filing under Article 9-A. It does not include statistics for taxpayers filing as banks under Article 32 (however, starting in 2015 banks and general business corporations will file under the same tax article), insurance companies filing under Article 33, or taxpayers filing under any of the various sections of Article 9. Nor does it provide data for taxpayers claiming credits under Article 22, the Personal Income Tax. These taxpayers claim credit by virtue of being sole proprietors or as recipients of credit that originated with flow-through entities (i.e., S corporations, limited liability companies, or partnerships).

The basis of taxation data reflect credits used by taxpayers whose tax is based on either the entire net income (ENI) base, the capital base, the alternative minimum tax (AMT) base, or the fixed dollar minimum tax. The ENI and capital bases represent taxpayers who began under these bases, used credits, and remained under these bases (despite the use of credits). The fixed dollar minimum and AMT bases represent two different classes of taxpayers. The bases could include taxpayers who started under one of the other bases such as ENI, but because of credits, ended up paying either the fixed dollar minimum tax or the AMT. These bases could also include taxpayers who used credits strictly to offset their subsidiary capital tax.

The major industry group category is based on the North American Industry Classification System (NAICS). Taxpayers report their principal business activity using NAICS codes from their federal tax returns. Therefore, the NAICS code may not be indicative of the type of activities actually being undertaken in New York. The NAICS descriptions provided within the dataset may vary between years because NAICS codes are reviewed every five years (in the years ending in ‘2’ or ‘7’) for potential revisions so that the classification system can keep pace with the changing economy.

The entire net income base equals federal taxable income modified for income and deduction items that New York treats differently.

Credit used is the amount of credit that taxpayers actually apply to their tax liability.

Data Collection Methodology

The data used to generate these datasets come from an annual study conducted by the Office of Tax Policy Analysis (OTPA). The study is based on the latest available data drawn from New York State corporation tax returns.

Taxpayers using and refunding over $2 million in certain tax credits in tax years 2010, 2011, and 2012 were required to defer excess amounts. The deferred amounts are to be claimed beginning in the 2013 tax year. Because the temporary credit deferral program was essentially a shift in the timing of credit utilization, credit amounts reported do not account for the impact of deferral. Thus, data for all impacted tax years reflect the cost of credits as if deferral was not in place. This allows for a consistent basis against which to measure trends in credit utilization without needing to adjust for the timing distortion caused by the deferral program. For more details, see technical services bulletin, Temporary Deferral of Certain Tax Credits (TSB-M-10(5)C).

Statistical and Analytic Issues

Due to the use of fiscal (as opposed to calendar) year periods and statutorily-permitted filing extensions, the Tax Department does not have complete data for a single tax year until several years later. Accordingly, the data in these datasets may not accurately portray the magnitude of the fiscal impact of these credits in the most recently reported fiscal year.

Limitations of Data Use

There are several notable limitations of data use. First, data cannot be disclosed where there are fewer than three taxpayers reporting values. However, to prevent data users from backing into the undisclosed data, corresponding data suppression had to occur in another categorical range. These suppressed data items often had observations greater than three. For credits where a limited number of claims trigger disclosure provisions, only credit component totals are displayed. In some cases, specifically in tax years 2001 through 2010, even this level of aggregation is not sufficient and consequently there is no data provided for certain credits. However, beginning with tax year 2011 all credits will be reported. Therefore, a disproportionate number of zeros may be present signifying a lack of credit utilization. Second, the datasets only contain data for corporate franchise taxpayers filing under Article 9-A and do not include credit claimed under other articles of the tax law. Third, due to the use of fiscal (as opposed to calendar) year periods and statutorily-permitted filing extensions, the Tax Department does not have complete data for a tax year until several years later. Accordingly, the data in this dataset may not accurately portray the magnitude of the fiscal impact of these credits in the most recently reported fiscal year. Other limitations include data not reflecting changes made in the course of an audit or resulting from an amended filing. Amounts carried forward from one year may not match amounts reported as carried in for the following year for several reasons. Audit adjustments in one year will change the utilization of credit in future years. Changes in the filing composition of a taxpayer due to mergers, acquisitions, or divestitures may impact the amount of credit reported. Some taxpayers may go out of business altogether. On the Department's internal file from which this dataset is compiled, credit carry forwards are not perpetuated in the absence of a credit form. If a taxpayer fails to file a credit form, the amount of credit carried forward is eliminated from the file. Furthermore, historical data presented in these datasets may differ from that presented in archived reports posted on the Department's website. This can occur as a result of changes made to the data collection process and minor adjustments made to the original data files. In certain limited instances, errors made on either prior or current year credit claim forms may also result in discrepancies. Lastly, legislative changes may impact the computation of particular credit components in different tax years. Where this occurs, it is noted in a footnote specific to the impacted credit.