# New York State Tax Reform Update

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**Qualified manufacturers subject to the New York State Business Corporation Tax may now pay no tax on business income earned in New York.**

Recently enacted New York State **tax reform legislation** allows qualified **corporate manufacturers** to reduce the tax rate on business income to zero for tax years beginning in 2014 and thereafter. The reform includes a provision that allows manufacturers that have Investment Tax Credit (ITC)–eligible property in New York State with a federal tax basis of as little as $1 million to qualify. Corporate manufacturers that meet this minimum property requirement must also meet certain additional requirements, including the following:

- More than 50% of the manufacturer's gross receipts must be derived from the sale of its manufactured goods.
- Combined filers must meet the 50% test on a combined basis.

In addition, the following is noteworthy:

- The distribution of natural gas and generation, the distribution of electricity, and the related production of steam are not considered manufacturing.
- ITC-eligible property includes property depreciable under Internal Revenue Code (IRC) Section 167 with a useful life of four years or more acquired by purchase per IRC Section 179(d) and principally used by the taxpayer in the production of goods by manufacturing, processing, and assembling, or certain other activities.

Although having at least $1 million of ITC-eligible property is not the only way a manufacturer may qualify for the zero tax rate, the key takeaway is that an out-of-state manufacturer that is a New York State corporate taxpayer may eliminate its tax on business income by simply acquiring as little as $1 million in qualified property.

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