

What are the Tax Credits and How to Apply for Them

There are four distinct tax credits available to business property owners in the Kingston/Ulster Economic Development Zone. Two of the credits, Real Property Abatement and Sales Tax are available to properties located within the geographic boundaries of the zone and can be applied for directly. The other two credits are available to zone certified businesses and are applied for directly to the state with the annual NYS income tax filing. Listed below are details of the credits and how to apply for them.

Real Property Tax Abatement

Real Property Tax Abatement is available to all owners of property located within the Kingston/Ulster EDZ. The exemption applies to any increased assessment caused by an improvement to a property, which is in effect from 1994 through March 1, 2004. Exemptions applied for between now and June 2001 are eligible for a 100% abatement on the increased assessment, between July 2001 and June 2002 a 75% abatement, between July 2002 and June 2003 a 50% abatement, between July 2003 and March 1, 2004 a 25% abatement. The abatement is available to commercial, industrial, and residential properties. To apply, contact your local assessor and request a copy of form 485e. Exemption applications need to be filed within one year of issuance of the Certificate of Occupancy and it is recommended to apply for the upcoming tax year applications must be received in the assessors' office before March 1.

Sales Tax Credit

A Sales Tax Refund is available on the purchase of building materials used in connection with commercial and industrial property (other than retail) located within the Kingston/Ulster EDZ. The credit applies to rehabilitation of property within the Zone and is applicable to material that becomes an integral component of the property. Refunds may be applied for using form AU-11 when the materials have been incorporated in the property. Only the actual purchaser of the materials from the vendor may apply for the credit.

Investment Tax Credit

Investment in real property or machinery and equipment for manufacturing and production facilities acquired or built in the EDZ may be eligible for an Investment Tax Credit. The ITC totals 10% of the investment for business corporations or 8% of the investment for personal income tax purposes, depending on the type of business organization. The tax credit may be taken the tax year in which qualified property is placed into service. Zone Certified Businesses may apply for this credit using form DTF-603 as an attachment to the annual income tax submission to New York State.

Wage Tax Credit

A Wage Tax Credit is available for newly hired, full time or equivalent, individuals that cause the employ-

ment level of a company to exceed the previous four-year average. A credit of \$750 per person is available each year for a five-year period from date of certification if the business meets all other hiring criteria. Certified businesses are required to list all job openings with the NYS Department of Labor and if the company hires a "targeted applicant," as defined by the NYS DOL, and pays that person 135% of minimum wage, the credit is doubled to \$1,500 per person for five years. Employees must perform a substantial part of their work within the zone and have been on the payroll for at least one-half of the company's tax year. Zone Certified Businesses may apply for this credit using form DTF-601 as an attachment to the annual income tax submission to New York State.

The benefits available to Zone Certified businesses can be great depending on the type of business and what kind of expansion is planned. Please review your company's hiring and investment practices to help determine if you would qualify for any of the tax credits available. If you have any specific questions or need further explanation on any of the credits please feel free to contact Catherine Maloney, EDZ Program Manager at 331-0080 x336. She will be happy to discuss your concerns and help you take the greatest advantage of the Economic Development Zone Program.

Colony Liquor

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Following several meetings with Mayor T.R. Gallo, EDZ Administrator Stephen Finkle, and Kingston Local Development Corporation Loan Coordinator Dan Mills, the scale tilted the opposite way and the Kingston site on Flatbush Avenue became the scene of a major expansion now underway. The construction of more than 100,000 square feet of warehouse and office space is expected to be completed by midsummer.

The fact that his company was able to qualify for the EDZ program "was a major element in our decision to locate here rather than in the upstate area," Andretta says. His father, James Andretta, Sr. founded the business in Kingston in 1933, becoming one of the first wholesale wine and liquor distributors in the U.S. Today, Colony Liquor is one of the largest distributors in New York State.

Finkle put together a proposal outlining the various tax incentives Colony Liquor could take advantage of by being a certified business in the Kingston-Ulster EDZ. They include a sales tax refund on the materials used in the construction of the addition, plus fee waivers for construction permits. Additionally, Colony Liquor is eligible to apply for an exemption against increased real property tax assessment until the year 2004. Through the KLDC, Colony received a \$750,000 loan at an attractive rate. "That amounts to more than a million dollars in savings," Andretta says.

Colony Liquor plans to link two existing buildings with the third presently under construction, giving the company a total of 215,000 square feet. Once the construction is completed, all products can be housed and shipped from Kingston. Current space dictates that only certain products can be shipped from the local facility, while others have to be shipped from upstate.

One building will have a state-of-the-art conveyor system which will enhance the shipping capabilities of the company, already credited with having one of the shortest order process and delivery cycles in the country. The current average of 12,000 cases per night during peak periods will increase to 16,000-20,000. Andretta expects employees at the Kingston site to increase by about 51, and hopes to take advantage of the EDZ's Wage Tax Credit.

While the company will continue to use its upstate facilities, eventually all products will be warehoused in and shipped from Kingston, consolidating six buildings to three.

"The consolidation will affect the economies of scale that we can't avail ourselves of at three locations," says Andretta, adding, "It should be significant."