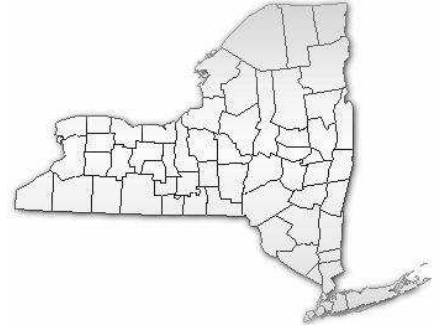


New York QEZE Changes: Uneasy About QEZE?

A number of changes in 2009 to the New York Empire Zone (EZ) or Qualified Empire Zone Enterprise (QEZE) tax credit programs could negatively impact the bottom line of many businesses. Keeping apprised of these changes and taking a few strategic actions will help you reap the remaining benefits.



Summary of Changes

- **Retention Certificates:** The biggest impact of the 2009 reform was the new criteria for calculating a benefit to cost ratio. If your business doesn't produce as much benefit to New York in terms of wages and investment as it spends on your business in terms of credits or refunds, then your EZ/QEZE program will not receive a retention certificate enabling you to continue receiving tax benefits. In effect, you will be decertified, and any carry forward tax credits you've been accruing through this program have been lost.
- **Stricter Certification Standards:** If your business has applied for EZ status on or after April 1, 2009, you must meet a 20-1 benefit-cost ratio (10-1 for manufacturing companies) during the first 3 years of certification. This means the benefits New York receives (via wages paid to employees in the zone and capital investment) must be at least 20 times the amount of tax credits or refunds paid out to your business.
- **Sunset of Program:** If you haven't yet applied for the EZ program, be aware that the program now sunsets on June 30, 2010, as opposed to the original date of December 31, 2011. No new certifications will be made after June 30.
- **Reduction in EZ Real Property Tax Credit:** If your business was certified on or after April 1, 2009, your EZ Real Property Tax Credit available is reduced by 25%.
- **QEZE Sales Tax Exemption Eliminated:** On September, 1, 2009 the QEZE exemption for sales tax was eliminated. Now companies must request refunds or credits on tax paid for items used primarily in the QEZE's. New York has just published the form for these claims. Form AU-12 instructions are here: http://www.tax.state.ny.us/pdf/2009/st/au12i_1209.pdf

Three Strategic Actions to Reap Benefits

1. If you haven't already done so, make sure your company has:
 - A. Received its retention certificate (if you've already been certified), or
 - B. Planned to submit your EZ application well before June 30, 2010 (if you haven't been certified yet). See here for the application:
http://www.nylovesbiz.com/pdf/Zone_Application_enabled.pdf
2. If you're a QEZE, get set up to claim sales tax credits/refunds by completing the Application for QEZE Sales Tax Certification form DTF-82, 83, or 84 (form number depends on when you were first certified as an EZ). You must include a copy of your certificate of eligibility and retention certificate. This will prompt the state to issue you a DTF-81 (QEZE Sales Tax Certification) which allows you to claim the sales tax credits or refunds, assuming you meet the other eligibility requirements.
3. Develop a way to systematically track and claim these credits or refunds. All this hard work could be thrown out the window if you fail to request the credit or the refund. Keep in mind some credits can be carried forward until utilized if you are restricted from claiming them on the current year's return due to low or no franchise tax liability.

For More Information

For more information about these changes, please contact the Tax department at Allyn International Services, Inc. (239) 489-9900 or email White.A@allynintl.com.

About Allyn International Services, Inc.

Allyn International Services, Inc. (Allyn) is a privately-held professional services firm established in 1992 dedicated to providing high quality, customer centric services and solutions for the global marketplace. Our core products include transportation management, logistics sourcing, freight forwarding, supply chain consulting, tax management, and customs compliance. More information is available at www.allynintl.com.

Allyn International Services, Inc.

13391 McGregor Blvd.

Fort Myers, Florida 33919

1.239.489.9900

1.239.489.9977 fax

www.allynintl.com

©2010 Allyn International Services, Inc. All rights reserved