

**SARATOGA COUNTY EMPIRE ZONE  
ZONE CAPITAL CREDITS – DIRECT EQUITY INVESTMENTS  
GENERAL INFORMATION**

**BACKGROUND**

Zone Capital Credits are a provision of the General Municipal Law Article 18-B, Section 964 amended in 1994. The purpose of this provision is to stimulate economic activity in an Empire Zone by granting each zone a \$2.5 million allocation of New York State tax credits. These credits may be used by zones to encourage economic activity by offering a 25% tax credit against New York State franchise taxes or personal income taxes for investments and contributions to economic development zone capital:

- 1) Contributions of money to approved **Community Development Projects**; and
- 2) **Direct Equity Investments** in Empire Zone certified businesses; and
- 3) Qualified investments and contributions to **Empire Zone Capital Corporations**.

**New York State Allocation and Limitations**

- Each zone is allocated \$2.5 million in credits over the life of the zone. The Zone Administrative Board has determined how the allocation will be distributed among the three categories.
  - Community Development Projects- \$ 2,000,000
  - Direct Equity Investment Projects- \$ 500,000
  - Zone Capital Corporations- \$ 0
- A limit of \$100,000 in credits per taxpayer is set for investments and contributions in each of the three categories for a total maximum credit of \$300,000 per taxpayer (or \$400,000 per category for an overall investment/contribution of \$1.2 million)

**Direct Equity Investments**

Direct Equity Investment Credits provide an Empire Zone Certified business a competitive advantage when seeking new investors or partners to expand its business. The businesses may offer a potential investor an immediate 25% New York State tax credit for the amount of

their investment in the new business. This is in addition to any return-on-investment offerings the business and investor may otherwise negotiate.

Basic requirements:

- The business must be located within an Empire Zone and must apply for Empire Zone Certification to become an Empire Zone Certified Business.
- An Empire Zone Certified Business must request credits from the Zone Administrative Board an allocation of credits prior to making an offering to an investor.
- The Empire Zone Certified Business must employ 250 or fewer workers during the 12-month period preceding the month in which the investment is made.
- The investor may not be the owner, existing stockholder or partner of the business (defined by IRS Code as owning 10% or more of the business prior to the investment) or a related person to any of the above (defined in IRS Code 465(b) (3)(C)).
- The investment must contribute significantly to an activity, which has tangible economic benefits such as start-up, expansion or modernization.
- The investment must have the potential to cause the creation of new jobs.
- The investment must increase the capital available to the business, not merely replace existing debt or equity.

Businesses that are interested in applying for Direct Equity Investment Zone Capital Credits should:

- Set up a meeting with SEDC to discuss the project
- The business must apply to become an Empire Zone Certified Business.
- Request an Application from SEDC for applying for Direct Equity Investment Zone Capital Credits.

**SARATOGA COUNTY EMPIRE ZONE**  
**Zone Capital Credits**  
**Direct Equity Investment Projects**  
**Policy and Procedures**  
**Adopted February 24, 2003**

The Saratoga County Empire Zone is empowered to provide economic development assistance in the form of New York State Tax credits for qualified Direct Equity Investment Projects of Zone Certified Businesses. Qualified projects must meet the following criteria and provide the following documentation supporting project eligibility:

- The project must be located within the zone boundaries.
- The business must be Empire Zone Certified.
- The business must employ fewer than 250 employees at the time of application.
- The project must have the potential for creating new jobs.
- The project must advance the Saratoga County Empire Zone Development Plan.
- The applicant must demonstrate how the project will benefit the zone community, promote the development of new business, and the expansion of existing business.
- Credits must be used for non-recurring expenses or “bricks and mortar” projects.  
(Credits may not be used to refinance existing debt, pay operating expenses, taxes or other soft costs)
- There will be a limit of **\$100,000** in credits available per business.
- Fundraising activities must take place **within Six Months of allocation.**
- Individuals and corporations will be eligible for New York State Income Tax Credits on contributions of **\$10,000** or more to approved businesses.