

S T A T E O F N E W Y O R K

4795--A

2015-2016 Regular Sessions

I N A S S E M B L Y

February 6, 2015

Introduced by M. of A. SCHIMMINGER, MAGNARELLI -- read once and referred to the Committee on Ways and Means -- recommitted to the Committee on Ways and Means in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the tax law, in relation to providing for direct private assistance to emerging technology companies through the trading of their existing but unused research and development credits and their existing but unused net operating loss deductions to existing corporations and partnerships in return for private assistance

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. Short title. This act shall be known and may be cited as
2 the "Small New York Based High-Technology Business Investment Tax Credit
3 Act".
4 S 2. The tax law is amended by adding a new section 212 to read as
5 follows:
6 S 212. CORPORATION BUSINESS TAX BENEFIT CERTIFICATE TRANSFER PROGRAM.
7 1. (A) THE DEPARTMENT SHALL ESTABLISH A CORPORATION BUSINESS TAX BENEFIT
8 CERTIFICATE TRANSFER PROGRAM TO ALLOW NEW OR EXPANDING EMERGING TECHNOLOGY
9 AND BIOTECHNOLOGY COMPANIES IN THIS STATE HAVING UNUSED AMOUNTS OF
10 RESEARCH AND DEVELOPMENT TAX CREDITS OTHERWISE ALLOWABLE PURSUANT TO
11 SUBPARAGRAPH (I) OF PARAGRAPH (B) OF SUBDIVISION ONE OF SECTION TWO
12 HUNDRED TEN-B OF THIS ARTICLE, WHICH CANNOT BE APPLIED FOR THE CREDIT'S
13 TAX YEAR, AND UNUSED NET OPERATING LOSS CARRYOVERS PURSUANT TO SECTION
14 TWO HUNDRED EIGHT OF THIS ARTICLE TO SURRENDER THOSE TAX BENEFITS FOR
15 USE BY OTHER CORPORATIONS ESTABLISHED UNDER THE BUSINESS CORPORATION LAW
16 AND SUBJECT TO THE PROVISIONS OF THIS ARTICLE IN EXCHANGE FOR PRIVATE
17 FINANCIAL ASSISTANCE TO BE PROVIDED THOSE TAXPAYERS OR EXPANDING EMERGING
18 TECHNOLOGY AND BIOTECHNOLOGY COMPANIES. SUCH TAXPAYERS SHALL BE

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets [] is old law to be omitted.

LBD06905-03-6

1 PROVIDED WITH A CORPORATION BUSINESS TAX BENEFIT CERTIFICATE TO BE
2 DEVELOPED BY THE COMMISSIONER.

3 (B) THE COMMISSIONER, IN COOPERATION WITH THE COMMISSIONER OF ECONOMIC
4 DEVELOPMENT, SHALL REVIEW AND APPROVE APPLICATIONS BY NEW OR EXPANDING
5 EMERGING TECHNOLOGY AND BIOTECHNOLOGY COMPANIES IN THIS STATE HAVING
6 UNUSED BUT OTHERWISE ALLOWABLE CARRYOVERS OF RESEARCH AND DEVELOPMENT
7 TAX CREDITS AND OTHERWISE ALLOWABLE NET OPERATING LOSS CARRYOVERS PURSU-
8 ANT TO SUBPARAGRAPH (I) OF PARAGRAPH (B) OF SUBDIVISION ONE OF SECTION
9 TWO HUNDRED TEN-B OF THIS ARTICLE AND SECTION TWO HUNDRED EIGHT, RESPEC-
10 TIVELY, TO SURRENDER THOSE TAX BENEFITS IN EXCHANGE FOR PRIVATE FINAN-
11 CIAL ASSISTANCE TO BE MADE TO A CORPORATION FILING PURSUANT TO THIS
12 ARTICLE, WHICH HAS OBTAINED A CORPORATION BUSINESS TAX BENEFIT CERTIF-
13 ICATE IN AN AMOUNT EQUAL TO AT LEAST SEVENTY-FIVE PERCENT OF THE AMOUNT
14 OF THE SURRENDERED TAX BENEFITS.

15 (C) THE COMMISSIONER SHALL CALCULATE THE VALUE OF THE NET OPERATING
16 LOSS CARRYOVER FOR PURPOSES OF THE BENEFIT CERTIFICATE EQUAL TO THE
17 AMOUNT OF THE CARRYOVER TIMES THE APPLICABLE BUSINESS ALLOCATION
18 PERCENTAGE AND TAX RATE OF THE EMERGING TECHNOLOGY OR BIOTECHNOLOGY
19 COMPANY.

20 (D) THE COMMISSIONER, IN COOPERATION WITH THE COMMISSIONER OF ECONOMIC
21 DEVELOPMENT, SHALL REVIEW AND APPROVE APPLICATIONS BY TAXPAYERS PURSUANT
22 TO THE PROVISIONS OF THIS ARTICLE TO ACQUIRE SURRENDERED TAX BENEFITS
23 APPROVED PURSUANT TO PARAGRAPH (B) OF THIS SUBDIVISION, WHICH SHALL BE
24 ISSUED IN THE FORM OF CORPORATION BUSINESS TAX BENEFIT TRANSFER CERTIF-
25 ICATES, IN EXCHANGE FOR PRIVATE FINANCIAL ASSISTANCE TO BE MADE BY THE
26 TAXPAYER IN AN AMOUNT EQUAL TO AT LEAST SEVENTY-FIVE PERCENT OF THE
27 AMOUNT OF THE SURRENDERED TAX BENEFIT OF AN EMERGING TECHNOLOGY OR
28 BIOTECHNOLOGY COMPANY IN THE STATE. THE PRIVATE FINANCIAL ASSISTANCE
29 SHALL ASSIST IN FUNDING EXPENSES INCURRED IN CONNECTION WITH THE OPERA-
30 TION OF A NEW OR EXPANDING EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY
31 IN THE STATE, INCLUDING BUT NOT LIMITED TO THE EXPENSES OF FIXED ASSETS,
32 SUCH AS THE CONSTRUCTION AND ACQUISITION AND DEVELOPMENT OF REAL ESTATE,
33 MATERIALS, START-UP, TENANT FIT-OUT, WORKING CAPITAL, SALARIES,
34 RESEARCH, AND DEVELOPMENT EXPENDITURES.

35 (E) THE COMMISSIONER SHALL COORDINATE THE APPLICATIONS, IN CONJUNCTION
36 WITH THE DEPARTMENT OF ECONOMIC DEVELOPMENT, FOR SURRENDER AND ACQUISI-
37 TION OF UNUSED BUT OTHERWISE ALLOWABLE TAX BENEFITS PURSUANT TO THIS
38 SECTION IN A MANNER THAT CAN BEST STIMULATE AND ENCOURAGE THE EXTENSION
39 OF PRIVATE FINANCIAL ASSISTANCE TO NEW AND EXPANDING EMERGING TECHNOLOGY
40 AND BIOTECHNOLOGY COMPANIES IN THIS STATE INTO A WRITTEN AGREEMENT WITH
41 SUCH COMPANY CONCERNING THE TERMS AND CONDITIONS OF THE PRIVATE FINAN-
42 CIAL ASSISTANCE MADE IN EXCHANGE FOR THE CERTIFICATE. THE WRITTEN AGREE-
43 MENT MAY CONTAIN TERMS CONCERNING THE MAINTENANCE BY THE NEW OR EXPAND-
44 ING EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY OF A HEADQUARTERS OR A
45 BASE OF OPERATION IN THIS STATE.

46 2. (A) A TAXPAYER THAT HAS ACQUIRED A CORPORATION BUSINESS TAX BENEFIT
47 CERTIFICATE PURSUANT TO THE PROVISIONS OF PARAGRAPH (B) OF THIS SUBDIVI-
48 SION THAT INCLUDES THE RIGHT TO A NET OPERATING LOSS CARRYOVER DEDUCTION
49 SHALL ATTACH THAT CERTIFICATE TO ANY RETURN THE TAXPAYER IS REQUIRED TO
50 FILE AND SHALL OTHERWISE APPLY THE NET OPERATING LOSS CARRYOVER
51 DEDUCTION AS EVIDENCED BY THE CERTIFICATE ACCORDING TO THE PROVISIONS OF
52 PARAGRAPH (B) OF SUBDIVISION ONE OF THIS SECTION AND ANY RULES OR REGU-
53 LATIONS THE COMMISSIONER MAY ADOPT TO CARRY OUT THE PROVISIONS OF THIS
54 SECTION.

55 (B) A NEW OR EXPANDING EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY
56 THAT HAS SURRENDERED AN UNUSED NET OPERATING LOSS CARRYOVER PURSUANT TO

1 THE PROVISIONS OF SECTION TWO HUNDRED EIGHT OF THIS ARTICLE SHALL NOT BE
2 ALLOWED A NET OPERATING LOSS CARRYOVER DEDUCTION BASED UPON THE RIGHT TO
3 SUCH A DEDUCTION, AS EVIDENCED BY SUCH CORPORATION BUSINESS TAX BENEFIT
4 CERTIFICATE, AND SHALL ATTACH A COPY OF THE CERTIFICATE TO ANY RETURN
5 THE TAXPAYER IS REQUIRED TO FILE.

6 3. (A) A TAXPAYER THAT HAS ACQUIRED A CORPORATION BUSINESS TAX BENEFIT
7 CERTIFICATE PURSUANT TO SUBDIVISION ONE OF THIS SECTION THAT INCLUDES
8 THE RIGHT TO A RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER PURSUANT TO
9 SUBPARAGRAPH (I) OF PARAGRAPH (B) OF SUBDIVISION ONE OF SECTION TWO
10 HUNDRED TEN-B OF THIS ARTICLE SHALL ATTACH THAT CERTIFICATE TO ANY
11 RETURN THE TAXPAYER IS REQUIRED TO FILE AND SHALL OTHERWISE APPLY THE
12 CREDIT CARRYOVER, AS EVIDENCED BY THE CERTIFICATE, ACCORDING TO THE
13 PROVISIONS OF PARAGRAPH (B) OF SUBDIVISION ONE OF THIS SECTION AND ANY
14 RULES OR REGULATIONS THE COMMISSIONER MAY ADOPT TO CARRY OUT THE
15 PROVISIONS OF THIS SECTION.

16 (B) A NEW OR EXPANDING TECHNOLOGY OR BIOTECHNOLOGY COMPANY THAT HAS
17 SURRENDERED AN UNUSED RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER
18 SHALL NOT BE ALLOWED A RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER
19 BASED UPON THE RIGHT TO SUCH A CREDIT CARRYOVER, AS EVIDENCED BY THE
20 CORPORATION BUSINESS TAX BENEFIT CERTIFICATE, AND SHALL ATTACH A COPY OF
21 THE CERTIFICATE TO ANY RETURN THE TAXPAYER IS REQUIRED TO FILE.

22 4. FOR THE PURPOSES OF THIS SECTION, THE FOLLOWING TERMS HAVE THE
23 FOLLOWING MEANINGS:

24 (A) "ADVANCED COMPUTING" MEANS A TECHNOLOGY USED IN THE DESIGNING AND
25 DEVELOPING OF COMPUTING HARDWARE AND SOFTWARE, INCLUDING INNOVATIONS IN
26 DESIGNING THE FULL SPECTRUM OF HARDWARE FROM HAND-HELD CALCULATORS TO
27 SUPER COMPUTERS, AND PERIPHERAL EQUIPMENT.

28 (B) "ADVANCED MATERIALS" MEANS MATERIALS WITH ENGINEERED PROPERTIES
29 CREATED THROUGH THE DEVELOPMENT OF SPECIALIZED PROCESSING AND SYNTHESIS
30 TECHNOLOGY, INCLUDING CERAMICS, HIGH VALUE-ADDED METALS, ELECTRONIC
31 MATERIALS, COMPOSITES, POLYMERS, AND BIOMATERIALS.

32 (C) "BIOTECHNOLOGY" MEANS THE CONTINUALLY EXPANDING BODY OF FUNDAMEN-
33 TAL KNOWLEDGE ABOUT THE FUNCTION OF BIOLOGICAL SYSTEMS FROM THE MACRO
34 LEVEL TO THE MOLECULAR AND SUBATOMIC LEVELS, AS WELL AS NOVEL PRODUCTS,
35 SERVICES, TECHNOLOGIES, AND SUB-TECHNOLOGIES DEVELOPED AS A RESULT OF
36 INSIGHTS GAINED FROM RESEARCH ADVANCES WHICH ADD TO THAT BODY OF FUNDA-
37 MENTAL KNOWLEDGE.

38 (D) "CONTROL", WITH RESPECT TO A CORPORATION, MEANS OWNERSHIP, DIRECT-
39 LY OR INDIRECTLY, OF STOCK POSSESSING EIGHTY PERCENT OR MORE OF THE
40 TOTAL COMBINED VOTING POWER OF ALL CLASSES OF THE STOCK OF THE CORPO-
41 RATION ENTITLED TO VOTE; AND "CONTROL", WITH RESPECT TO A TRUST, MEANS
42 OWNERSHIP, DIRECTLY OR INDIRECTLY, OF EIGHTY PERCENT OR MORE OF THE
43 BENEFICIAL INTEREST IN THE PRINCIPAL OR INCOME OF THE TRUST. THE OWNER-
44 SHIP OF STOCK IN A CORPORATION, OF A CAPITAL OR PROFITS INTEREST IN A
45 PARTNERSHIP OR ASSOCIATION, OR OF A BENEFICIAL INTEREST IN A TRUST SHALL
46 BE DETERMINED IN ACCORDANCE WITH THE RULES FOR CONSTRUCTIVE OWNERSHIP OF
47 STOCK PROVIDED IN SUBSECTION (C) OF SECTION 267 OF THE FEDERAL INTERNAL
48 REVENUE CODE OF 1986, 26 U.S.C. S267, OTHER THAN PARAGRAPH (3) OF
49 SUBSECTION (C) OF SUCH SECTION.

50 (E) "CONTROLLED GROUP" MEANS ONE OR MORE CHAINS OF CORPORATIONS
51 CONNECTED THROUGH STOCK OWNERSHIP WITH A COMMON PARENT CORPORATION IF
52 STOCK POSSESSING AT LEAST EIGHTY PERCENT OF THE VOTING POWER OF ALL
53 CLASSES OF STOCK OF EACH OF THE CORPORATIONS IS OWNED DIRECTLY OR INDI-
54 RECTLY BY ONE OR MORE OF THE CORPORATIONS AND THE COMMON PARENT OWNS
55 DIRECTLY STOCK POSSESSING AT LEAST EIGHTY PERCENT OF THE VOTING POWER OF
56 ALL CLASSES OF STOCK OF AT LEAST ONE OF THE OTHER CORPORATIONS.

(F) "ELECTRONIC DEVICE TECHNOLOGY" MEANS A TECHNOLOGY INVOLVING MICRO-ELECTRONICS, SEMICONDUCTORS, ELECTRONIC EQUIPMENT, AND INSTRUMENTATION, RADIO FREQUENCY, MICROWAVE, AND MILLIMETER ELECTRONICS, AND OPTICAL AND OPTIC-ELECTRICAL DEVICES, OR DATA AND DIGITAL COMMUNICATIONS AND IMAGING DEVICES.

(G) "ENVIRONMENTAL TECHNOLOGY" MEANS ASSESSMENT AND PREVENTION OF THREATS OR DAMAGE TO HUMAN HEALTH OR THE ENVIRONMENT, ENVIRONMENTAL CLEANUP, OR THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES.

(H) "MEDICAL DEVICE TECHNOLOGY" MEANS A TECHNOLOGY INVOLVING ANY MEDICAL EQUIPMENT OR PRODUCT (OTHER THAN A PHARMACEUTICAL PRODUCT) THAT HAS THERAPEUTIC VALUE, DIAGNOSTIC VALUE, OR BOTH, AND IS REGULATED BY THE FEDERAL FOOD AND DRUG ADMINISTRATION.

(I) "PARTNERSHIP" MEANS A SYNDICATE, GROUP, POOL, JOINT VENTURE, OR OTHER UNINCORPORATED ORGANIZATION THROUGH OR BY MEANS OF WHICH ANY BUSINESS, FINANCIAL OPERATION, OR VENTURE IS CARRIED ON, AND WHICH IS NOT A TRUST OR ESTATE, A CORPORATION, OR A SOLE PROPRIETORSHIP.

(J) "PILOT SCALE MANUFACTURING" MEANS DESIGN, CONSTRUCTION, AND TESTING OF PREPRODUCTION PROTOTYPES AND MODELS IN THE FIELDS OF ADVANCED COMPUTING, ADVANCED MATERIALS, BIOTECHNOLOGY, ELECTRONIC DEVICE TECHNOLOGY, ENVIRONMENTAL TECHNOLOGY, AND MEDICAL DEVICE TECHNOLOGY, OTHER THAN FOR COMMERCIAL SALE, EXCLUDING SALES OF PROTOTYPES OR SALES FOR MARKET TESTING, IF TOTAL GROSS RECEIPTS FROM SUCH SALES OF THE PRODUCT, SERVICE, OR PROCESS DO NOT EXCEED ONE MILLION DOLLARS.

(K) "QUALIFIED INVESTMENT" MEANS THE NON-REFUNDABLE INVESTMENT AT RISK IN A SMALL NEW YORK-BASED HIGH TECHNOLOGY BUSINESS BY A TAXPAYER THAT IS NOT A RELATED PERSON OF THE SMALL NEW YORK BASED HIGH-TECHNOLOGY BUSINESS, THE TRANSFER OF WHICH IS IN CONNECTION WITH A TRANSACTION IN EXCHANGE FOR STOCK, INTEREST IN PARTNERSHIPS OR JOINT VENTURES, LICENSES (EXCLUSIVE OR NON-EXCLUSIVE), RIGHT TO USE TECHNOLOGY, MARKETING RIGHTS, WARRANTS, OPTIONS, OR ANY ITEM SIMILAR TO THOSE INCLUDED IN THIS PARAGRAPH, INCLUDING BUT NOT LIMITED TO OPTIONS OR RIGHTS TO ACQUIRE ANY OF THE ITEMS INCLUDED IN THIS PARAGRAPH.

(L) "QUALIFIED RESEARCH EXPENSES" MEANS QUALIFIED RESEARCH EXPENSES, AS DEFINED IN SECTION 41 OF THE FEDERAL INTERNAL REVENUE CODE OF 1986, 26 U.S.C. S 41, AS IN EFFECT ON JUNE THIRTIETH, NINETEEN HUNDRED NINETY-TWO, IN THE FIELDS OF ENVIRONMENTAL TECHNOLOGY OR MEDICAL DEVICE TECHNOLOGY.

(M) "RELATED PERSON" MEANS:

(1) A CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST BY THE TAXPAYER;

(2) AN INDIVIDUAL, CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST THAT IS IN THE CONTROL OF THE TAXPAYER;

(3) A CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST CONTROLLED BY AN INDIVIDUAL, CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST THAT IS IN THE CONTROL OF THE TAXPAYER; OR

(4) A MEMBER OF THE SAME CONTROLLED GROUP AS A TAXPAYER.

(N) "SMALL NEW YORK BASED HIGH-TECHNOLOGY BUSINESS" MEANS A CORPORATION DOING BUSINESS EMPLOYING OR OWNING CAPITAL OR PROPERTY, OR MAINTAINING AN OFFICE, IN THIS STATE THAT HAS QUALIFIED RESEARCH EXPENSES PAID OR INCURRED FOR RESEARCH CONDUCTED IN THIS STATE OR CONDUCTS PILOT SCALE MANUFACTURING IN THIS STATE, AND HAS FEWER THAN TWO HUNDRED TWENTY-FIVE EMPLOYEES, OF WHOM SEVENTY-FIVE PERCENT ARE NEW YORK-BASED EMPLOYEES FILLING A POSITION OR JOB IN THIS STATE.

(O) "TAX YEAR" MEANS THE FISCAL OR CALENDAR ACCOUNTING YEAR OF A TAXPAYER.

S 3. The tax law is amended by adding a new section 606-a to read as follows:

1 S 606-A. NONCORPORATION TAX BENEFIT CERTIFICATE TRANSFER PROGRAM. (A)
2 (1) THE DEPARTMENT SHALL ESTABLISH A CORPORATION BUSINESS TAX BENEFIT
3 CERTIFICATE TRANSFER PROGRAM TO ALLOW NEW OR EXPANDING EMERGING TECHNOLO-
4 GY AND BIOTECHNOLOGY COMPANIES IN THIS STATE HAVING UNUSED AMOUNTS OF
5 RESEARCH AND DEVELOPMENT TAX CREDITS OTHERWISE ALLOWABLE PURSUANT TO
6 SUBPARAGRAPH (A) OF PARAGRAPH TWO OF SUBSECTION (A) OF SECTION SIX
7 HUNDRED SIX OF THIS ARTICLE, WHICH CANNOT BE APPLIED FOR THE CREDIT'S
8 TAX YEAR, AND UNUSED NET OPERATING LOSS CARRYOVER PURSUANT TO SUBSECTION
9 (B) OF SECTION SIX HUNDRED SEVENTEEN AND SUBSECTION (B) OF SECTION SIX
10 HUNDRED THIRTY-THREE OF THIS ARTICLE TO SURRENDER SUCH TAX BENEFITS FOR
11 USE BY OTHER ENTITIES SUBJECT TO THE PROVISIONS OF THIS ARTICLE IN
12 EXCHANGE FOR PRIVATE FINANCIAL ASSISTANCE TO BE PROVIDED SUCH TAXPAYERS
13 OR EXPANDING EMERGING TECHNOLOGY AND BIOTECHNOLOGY COMPANIES. SUCH
14 TAXPAYERS SHALL BE PROVIDED WITH A NONCORPORATION BUSINESS TAX BENEFIT
15 CERTIFICATE TO BE DEVELOPED BY THE COMMISSIONER.
16 (2) THE COMMISSIONER, IN COOPERATION WITH THE COMMISSIONER OF THE
17 DEPARTMENT OF ECONOMIC DEVELOPMENT, SHALL REVIEW AND APPROVE APPLICA-
18 TIONS BY NEW OR EXPANDING TECHNOLOGY AND BIOTECHNOLOGY COMPANIES IN THIS
19 STATE HAVING UNUSED BUT OTHERWISE ALLOWABLE CARRYOVER OF RESEARCH AND
20 DEVELOPMENT TAX CREDITS AND OTHERWISE ALLOWABLE NET OPERATING LOSS
21 CARRYOVERS PURSUANT TO EITHER SUBPARAGRAPH (A) OF PARAGRAPH TWO OF
22 SUBSECTION (A) OF SECTION SIX HUNDRED SIX OR SUBSECTION (B) OF SECTION
23 SIX HUNDRED SEVENTEEN OR SUBSECTION (B) OF SECTION SIX HUNDRED
24 THIRTY-THREE OF THIS ARTICLE, RESPECTIVELY, TO SURRENDER THOSE TAX BENE-
25 FITS IN EXCHANGE FOR PRIVATE FINANCIAL ASSISTANCE TO BE MADE TO A
26 TAXPAYER FILING PURSUANT TO THIS ARTICLE WHO HAS OBTAINED A NONCORPO-
27 RATION BUSINESS TAX BENEFIT CERTIFICATE IN AN AMOUNT EQUAL TO AT LEAST
28 SEVENTY-FIVE PERCENT OF THE AMOUNT OF THE SURRENDERED TAX BENEFITS.
29 (3) THE COMMISSIONER SHALL CALCULATE THE VALUE OF THE NET OPERATING
30 LOSS CARRYOVER FOR PURPOSES OF THE BENEFIT CERTIFICATE EQUAL TO THE
31 AMOUNT OF THE CARRYOVER TIMES THE APPLICABLE BUSINESS ALLOCATION
32 PERCENTAGE AND TAX RATE OF THE EMERGING TECHNOLOGY OR BIOTECHNOLOGY
33 COMPANY.
34 (4) THE COMMISSIONER, IN COOPERATION WITH THE COMMISSIONER OF THE
35 DEPARTMENT OF ECONOMIC DEVELOPMENT, SHALL REVIEW AND APPROVE APPLICA-
36 TIONS BY TAXPAYERS SUBJECT TO THE PROVISIONS OF THIS ARTICLE TO ACQUIRE
37 SURRENDERED TAX BENEFITS APPROVED PURSUANT TO PARAGRAPH TWO OF THIS
38 SUBSECTION, WHICH SHALL BE ISSUED IN THE FORM OF NONCORPORATION BUSINESS
39 TAX BENEFIT TRANSFER CERTIFICATES, IN EXCHANGE FOR PRIVATE FINANCIAL
40 ASSISTANCE TO BE MADE BY THE TAXPAYER IN AN AMOUNT EQUAL TO AT LEAST
41 SEVENTY-FIVE PERCENT OF THE AMOUNT OF THE SURRENDERED TAX BENEFIT OF AN
42 EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY IN THE STATE. THE PRIVATE
43 FINANCIAL ASSISTANCE SHALL ASSIST IN FUNDING EXPENSES INCURRED IN
44 CONNECTION WITH THE OPERATION OF A NEW OR EXPANDING EMERGING TECHNOLOGY
45 OR BIOTECHNOLOGY COMPANY IN THE STATE, INCLUDING BUT NOT LIMITED TO THE
46 EXPENSES OF FIXED ASSETS, SUCH AS THE CONSTRUCTION AND ACQUISITION AND
47 DEVELOPMENT OF REAL ESTATE, MATERIALS, START-UP, TENANT FIT-OUT, WORKING
48 CAPITAL, SALARIES, RESEARCH, AND DEVELOPMENT EXPENDITURES.
49 (5) THE COMMISSIONER SHALL COORDINATE THE APPLICATIONS, IN CONJUNCTION
50 WITH THE DEPARTMENT OF ECONOMIC DEVELOPMENT, FOR SURRENDER AND ACQUISSI-
51 TION OF UNUSED BUT OTHERWISE ALLOWABLE TAX BENEFITS PURSUANT TO THIS
52 SECTION IN A MANNER THAT CAN BEST STIMULATE AND ENCOURAGE THE EXTENSION
53 OF PRIVATE FINANCIAL ASSISTANCE TO NEW AND EXPANDING EMERGING TECHNOLOGY
54 AND BIOTECHNOLOGY COMPANIES IN THIS STATE INTO A WRITTEN AGREEMENT WITH
55 SUCH COMPANY CONCERNING THE TERMS AND CONDITIONS OF THE PRIVATE FINAN-
56 CIAL ASSISTANCE MADE IN EXCHANGE FOR THE CERTIFICATE. THE WRITTEN AGREE-

MENT MAY CONTAIN TERMS CONCERNING THE MAINTENANCE BY THE NEW OR EXPANDING EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY OF A HEADQUARTERS OR A BASE OF OPERATION IN THIS STATE.

(B)(1) A TAXPAYER THAT HAS ACQUIRED A NONCORPORATION BUSINESS TAX BENEFIT CERTIFICATE PURSUANT TO THE PROVISIONS OF PARAGRAPH TWO OF SUBSECTION (A) OF THIS SECTION THAT INCLUDES THE RIGHT TO A NET OPERATING LOSS CARRYOVER DEDUCTION SHALL ATTACH THAT CERTIFICATE TO ANY RETURN THE TAXPAYER IS REQUIRED TO FILE AND SHALL OTHERWISE APPLY THE NET OPERATING LOSS CARRYOVER DEDUCTION, AS EVIDENCED BY THE CERTIFICATE, ACCORDING TO THE PROVISIONS OF PARAGRAPH TWO OF SUBSECTION (A) OF THIS SECTION AND ANY RULES OR REGULATIONS THE COMMISSIONER MAY ADOPT TO CARRY OUT THE PROVISIONS OF THIS SECTION.

(2) A NEW OR EXPANDING EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY THAT HAS SURRENDERED AN UNUSED NET OPERATING LOSS CARRYOVER PURSUANT TO THE PROVISIONS OF SUBSECTION (B) OF SECTION SIX HUNDRED SEVENTEEN AND SUBSECTION (B) OF SECTION SIX HUNDRED THIRTY-THREE OF THIS ARTICLE SHALL NOT BE ALLOWED A NET OPERATING LOSS CARRYOVER DEDUCTION BASED UPON THE RIGHT TO SUCH A DEDUCTION, AS EVIDENCED BY SUCH NONCORPORATION BUSINESS TAX BENEFIT CERTIFICATE, AND SHALL ATTACH A COPY OF THE CERTIFICATE TO ANY RETURN THE TAXPAYER IS REQUIRED TO FILE.

(C) (1) A TAXPAYER THAT HAS ACQUIRED A NONCORPORATION BUSINESS TAX BENEFIT CERTIFICATE PURSUANT TO SUBSECTION (A) OF THIS SECTION THAT INCLUDES THE RIGHT TO A RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER SHALL ATTACH THAT CERTIFICATE TO ANY RETURN THE TAXPAYER IS REQUIRED TO FILE AND SHALL OTHERWISE APPLY THE CREDIT CARRYOVER, AS EVIDENCED BY THE CERTIFICATE, ACCORDING TO THE PROVISIONS OF PARAGRAPH TWO OF SUBSECTION (A) OF THIS SECTION AND ANY RULES OR REGULATIONS THE COMMISSIONER MAY ADOPT TO CARRY OUT THE PROVISIONS OF THIS SECTION.

(2) A NEW OR EXPANDING EMERGING TECHNOLOGY OR BIOTECHNOLOGY COMPANY THAT HAS SURRENDERED AN UNUSED RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER SHALL NOT BE ALLOWED A RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER BASED UPON THE RIGHT TO SUCH A CREDIT CARRYOVER, AS EVIDENCED BY THE NONCORPORATION BUSINESS TAX BENEFIT CERTIFICATE, AND SHALL ATTACH A COPY OF THE CERTIFICATE TO ANY RETURN THE TAXPAYER IS REQUIRED TO FILE.

(D) FOR THE PURPOSES OF THIS SECTION, THE FOLLOWING TERMS SHALL HAVE THE FOLLOWING MEANINGS:

(1) "ADVANCED COMPUTING" MEANS A TECHNOLOGY USED IN DESIGNING AND DEVELOPING COMPUTING HARDWARE AND SOFTWARE, INCLUDING INNOVATIONS IN DESIGNING THE FULL SPECTRUM OF HARDWARE FROM HAND-HELD CALCULATORS TO SUPER COMPUTERS, AND PERIPHERAL EQUIPMENT.

(2) "ADVANCED MATERIALS" MEANS MATERIALS WITH ENGINEERED PROPERTIES CREATED THROUGH THE DEVELOPMENT OF SPECIALIZED PROCESSING AND SYNTHESIS TECHNOLOGY, INCLUDING CERAMICS, HIGH VALUE-ADDED METALS, ELECTRONIC MATERIALS, COMPOSITES, POLYMERS, AND BIOMATERIALS.

(3) "BIOTECHNOLOGY" MEANS THE CONTINUALLY EXPANDING BODY OF FUNDAMENTAL KNOWLEDGE ABOUT THE FUNCTION OF BIOLOGICAL SYSTEMS FROM THE MACRO LEVEL TO THE MOLECULAR AND SUBATOMIC LEVELS, AS WELL AS NOVEL PRODUCTS, SERVICES, TECHNOLOGIES, AND SUB-TECHNOLOGIES DEVELOPED AS A RESULT OF INSIGHTS GAINED FROM RESEARCH ADVANCES WHICH ADD TO THAT BODY OF FUNDAMENTAL KNOWLEDGE.

(4) "CONTROL", WITH RESPECT TO A CORPORATION, MEANS OWNERSHIP, DIRECTLY OR INDIRECTLY, OF STOCK POSSESSING EIGHTY PERCENT OR MORE OF THE TOTAL COMBINED VOTING POWER OF ALL CLASSES OF THE STOCK OF THE CORPORATION ENTITLED TO VOTE; AND "CONTROL", WITH RESPECT TO A TRUST, MEANS OWNERSHIP, DIRECTLY OR INDIRECTLY, OF EIGHTY PERCENT OR MORE OF THE

1 BENEFICIAL INTEREST IN THE PRINCIPAL OR INCOME OF THE TRUST. THE OWNER-
2 SHIP OF STOCK IN A CORPORATION, OF A CAPITAL OR PROFITS INTEREST IN A
3 PARTNERSHIP OR ASSOCIATION, OR OF A BENEFICIAL INTEREST IN A TRUST SHALL
4 BE DETERMINED IN ACCORDANCE WITH THE RULES FOR CONSTRUCTIVE OWNERSHIP OF
5 STOCK PROVIDED IN SUBSECTION (C) OF SECTION 267 OF THE FEDERAL INTERNAL
6 REVENUE CODE OF 1986, 26 U.S.C. S 267, OTHER THAN PARAGRAPH (3) OF
7 SUBSECTION (C) OF SUCH SECTION.

8 (5) "CONTROLLED GROUP" MEANS ONE OR MORE CHAINS OF CORPORATIONS
9 CONNECTED THROUGH STOCK OWNERSHIP WITH A COMMON PARENT CORPORATION IF
10 STOCK POSSESSING AT LEAST EIGHTY PERCENT OF THE VOTING POWER OF ALL
11 CLASSES OF STOCK OF EACH OF THE CORPORATIONS IS OWNED DIRECTLY OR INDI-
12 RECTLY BY ONE OR MORE OF THE CORPORATIONS AND THE COMMON PARENT OWNS
13 DIRECTLY STOCK POSSESSING AT LEAST EIGHTY PERCENT OF THE VOTING POWER OF
14 ALL CLASSES OF STOCK OF AT LEAST ONE OF THE OTHER CORPORATIONS.

15 (6) "ELECTRONIC DEVICE TECHNOLOGY" MEANS A TECHNOLOGY INVOLVING MICRO-
16 ELECTRONICS, SEMICONDUCTORS, ELECTRONIC EQUIPMENT, AND INSTRUMENTATION,
17 RADIO FREQUENCY, MICROWAVE, AND MILLIMETER ELECTRONICS, AND OPTICAL AND
18 OPTIC-ELECTRICAL DEVICES, OR DATA AND DIGITAL COMMUNICATIONS AND IMAGING
19 DEVICES.

20 (7) "ENVIRONMENTAL TECHNOLOGY" MEANS ASSESSMENT AND PREVENTION OF
21 THREATS OR DAMAGE TO HUMAN HEALTH OR THE ENVIRONMENT, ENVIRONMENTAL
22 CLEANUP, OR THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES.

23 (8) "MEDICAL DEVICE TECHNOLOGY" MEANS A TECHNOLOGY INVOLVING ANY
24 MEDICAL EQUIPMENT OR PRODUCT (OTHER THAN A PHARMACEUTICAL PRODUCT) THAT
25 HAS THERAPEUTIC VALUE, DIAGNOSTIC VALUE, OR BOTH, AND IS REGULATED BY
26 THE FEDERAL FOOD AND DRUG ADMINISTRATION.

27 (9) "PARTNERSHIP" MEANS A SYNDICATE, GROUP, POOL, JOINT VENTURE OR
28 OTHER UNINCORPORATED ORGANIZATION THROUGH OR BY MEANS OF WHICH ANY BUSI-
29 NESS, FINANCIAL OPERATION, OR VENTURE IS CARRIED ON, AND WHICH IS NOT A
30 TRUST OR ESTATE, A CORPORATION, OR A SOLE PROPRIETORSHIP.

31 (10) "PILOT SCALE MANUFACTURING" MEANS DESIGN, CONSTRUCTION, AND TEST-
32 ING OF PREPRODUCTION PROTOTYPES AND MODELS IN THE FIELDS OF ADVANCED
33 COMPUTING, ADVANCED MATERIALS, BIOTECHNOLOGY, ELECTRONIC DEVICE TECHNOL-
34 OGY, ENVIRONMENTAL TECHNOLOGY, AND MEDICAL DEVICE TECHNOLOGY, OTHER THAN
35 FOR COMMERCIAL SALE, EXCLUDING SALES OF PROTOTYPES OR SALES FOR MARKET
36 TESTING, IF TOTAL GROSS RECEIPTS FROM SUCH SALES OF THE PRODUCT,
37 SERVICE, OR PROCESS DO NOT EXCEED ONE MILLION DOLLARS.

38 (11) "QUALIFIED INVESTMENT" MEANS THE NON-REFUNDABLE INVESTMENT AT
39 RISK IN A SMALL NEW YORK-BASED HIGH TECHNOLOGY BUSINESS BY A TAXPAYER
40 THAT IS NOT A RELATED PERSON OF THE SMALL NEW YORK BASED HIGH-TECHNOLOGY
41 BUSINESS, THE TRANSFER OF WHICH IS IN CONNECTION WITH A TRANSACTION IN
42 EXCHANGE FOR STOCK, INTEREST IN PARTNERSHIPS OR JOINT VENTURES, LICENSES
43 (EXCLUSIVE OR NON-EXCLUSIVE), RIGHTS TO USE TECHNOLOGY, MARKETING
44 RIGHTS, WARRANTS, OPTIONS, OR RIGHTS TO ACQUIRE ANY OF THE ITEMS SIMILAR
45 TO THOSE INCLUDED IN THIS PARAGRAPH, INCLUDING BUT NOT LIMITED TO
46 OPTIONS OR RIGHTS TO ACQUIRE ANY OF THE ITEMS INCLUDED IN THIS PARA-
47 GRAPH.

48 (12) "QUALIFIED RESEARCH EXPENSES" MEANS QUALIFIED RESEARCH EXPENSES,
49 AS DEFINED IN SECTION 41 OF THE FEDERAL INTERNAL REVENUE CODE OF 1986,
50 26 U.S.C. S 41, AS IN EFFECT ON JUNE THIRTIETH, NINETEEN HUNDRED NINE-
51 TY-TWO, IN THE FIELDS OF ENVIRONMENTAL TECHNOLOGY OR MEDICAL DEVICE
52 TECHNOLOGY.

53 (13) "RELATED PERSON" MEANS:

54 (A) A CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST BY THE TAXPAYER;

55 (B) AN INDIVIDUAL, CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST
56 THAT IS IN THE CONTROL OF THE TAXPAYER;

1 (C) A CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST CONTROLLED BY AN
2 INDIVIDUAL, CORPORATION, PARTNERSHIP, ASSOCIATION, OR TRUST THAT IS IN
3 THE CONTROL OF THE TAXPAYER; OR
4 (D) A MEMBER OF THE SAME CONTROLLED GROUP AS THE TAXPAYER.
5 (14) "SMALL NEW YORK BASED HIGH-TECHNOLOGY BUSINESS" MEANS A CORPO-
6 RATION DOING BUSINESS EMPLOYING OR OWNING CAPITAL OR PROPERTY, OR MAIN-
7 TAINING AN OFFICE, IN THIS STATE THAT HAS QUALIFIED RESEARCH EXPENSES
8 PAID OR INCURRED FOR RESEARCH CONDUCTED IN THIS STATE OR CONDUCTS PILOT
9 SCALE MANUFACTURING IN THIS STATE, AND HAS FEWER THAN TWO HUNDRED TWEN-
10 TY-FIVE EMPLOYEES, OF WHOM SEVENTY-FIVE PERCENT ARE NEW YORK-BASED
11 EMPLOYEES FILLING A POSITION OR JOB IN THIS STATE.
12 (15) "TAX YEAR" MEANS THE FISCAL OR CALENDAR ACCOUNTING YEAR OF A
13 TAXPAYER.
14 S 4. This act shall take effect immediately and shall apply to taxable
15 years which commence on or after January 1, 2017.