

03-1 March 7, 2003

**Gross-up of Deduction for Wages Eligible for the
New York Liberty Zone Employee Credit**

Section 1400L of the Internal Revenue Code (the "IRC") includes New York Liberty Zone business employees as members of a targeted group, making the employer of any New York Liberty Zone business employee eligible for the federal work opportunity tax credit under IRC section 51 for a portion of wages paid to those employees. This credit is available for wages paid during calendar years 2002 and 2003. IRC Section 280C denies a deduction to employers for the portion of wages for which a credit under IRC section 51 is taken. The Administrative Code of the City of New York permits an employer who has taken a credit under IRC section 51, and who has been denied a federal deduction for a portion of wages under IRC section 280C, to deduct that portion of the wages for New York City tax purposes. *See* Administrative Code §§ 11-602(8)(a)(7), 11-641(e)(4), and 11-507(11).

To take this additional deduction, eligible employers should include the amount of wages for which a credit is taken and a Federal deduction is denied, as shown on line 2 of IRS Form 8884, in the amount reported as a deduction for wages subject to the federal jobs credit on the applicable New York City tax form as follows:

General Corporate Tax:	on Form NYC 3L, Schedule B, line 15
Banking Corporation Tax:	on Form NYC 1, Schedule B, line 23
Unincorporated Business Tax:	on Form NYC 202, Schedule B, line 15, or Form NYC 204, Schedule B, line 19.

Eligible employers should attach a copy of IRS Form 8884 to the return.

The purpose of this Finance Memorandum is to advise taxpayers and tax professionals of, and explain the Department's current position and procedures with respect to, the issue addressed so that they may act accordingly. Finance Memoranda are advisory in nature and are merely explanatory. Finance Memoranda are not declaratory rulings or rules of the Department of Finance and do not have legal force or effect, do not set precedent and are not binding on taxpayers.