

APPENDIX B-3: TAX CREDITS

California

Business Investment

Employer Child Care Credit Program: firms can claim a credit, not to exceed \$50,000, equal to 30% of the costs for establishing a child care program or constructing a childcare facility for use primarily for employees' children or tenants' employees' children.¹

Research and Development

Research Credit: for costs attributable to research activities conducted in California. The credit is 15% of the excess of qualified research expenses for the taxable year over the base period research expenses. Corporations are allowed the 15% credit amount plus credit for 24% of the basic research payments.²

Geography Specific

Enterprise Zones, Local Agency Military Base Recovery Areas, Manufacturing Enhancement Areas or Targeted Tax Areas: firms may be eligible for a hiring credit of a portion of wages paid to qualified employees.³ May also be eligible for: A sales or use tax credit for the purchase of qualified property; special net operating loss carryover, and a deduction of a portion of the cost of qualified property.

Job Creation

Manufacturers' Investment Credit: Manufacturer or a taxpayer with activities related to computer programming or computer software design that purchases qualified property placed in service in California.⁴ The amount of the credit is 6 % of the cost of the qualified property. (Expired in 2003.)

Connecticut

Business Investment

¹ 2006 Employer Childcare Program Credit. California Form 3501. California Franchise Tax Board.
http://www.ftb.ca.gov/forms/06_forms/06_3501.pdf

² 2006 Research Credit. California Form 3523. California Franchise Tax Board.
<http://ftb.ca.gov/forms/misc/1082.pdf>

³ "Frequently Asked Questions." California Franchise Tax Board.

⁴ "Manufacturers Investment Credit References." State of California Franchise Tax Board: Manufactures Investment Credit References.
<http://www.ftb.ca.gov/businesses/credits/mic/references/index.shtml>

10% credit for increased investment in machinery and equipment for companies with 250 or fewer full-time permanent employees in Connecticut. 5% credit for companies with 251 to 800 full-time permanent employees in Connecticut.

Research and Development

1% to 6% of R&D expenditures based on the amount of such expenditures and size of company.

20% of the R&D expenditures in Connecticut in the current income year exceeding R&D expenditures of the prior taxable year.

Unused R&D credits can be carried forward and, for companies with gross income of \$70 million or less, can be sold to the State for 65% of their value.

25% credit for any increase in grants to institutions of higher learning for R&D related to technology advancement over the average grants provided during the preceding 3 years.

Geography Specific

The Urban and credit of Industrial Site Tax Credit Program, which is a dollar-for-dollar corporate tax cup to 100% of an investment up to a maximum of \$100,000,000.⁵ Selected communities bordering Route 8 and I-395 are eligible for full Enterprise Zone level benefits.⁶

Florida

Business Investment

Sales and user tax exemptions for: Machinery and equipment used by a new or expanding Florida business to manufacture, produce or process tangible personal property for sale; Labor, parts and materials used in repair of and incorporated into machinery and equipment.

Research and Development

Sales and user tax exemptions for: Machinery and equipment used predominantly in R&D; labor component of R&D expenditures.

Geography Specific

Rural Incentives: Florida encourages growth throughout the state by offering increased incentive awards and lower wage qualification thresholds in its rural counties.

⁵ Connecticut Department of Economic and Community Development. "Tax Incentives"
<http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=253522>

⁶ Connecticut Department of Economic and Community Development.

Urban Incentives: Florida offers increased incentive awards and lower wage qualification thresholds for businesses locating in many urban core/inner city areas.

Enterprise Zone Incentives: Florida offers an assortment of tax incentives to businesses that choose to create employment within an enterprise zone, which is a specific geographic area targeted for economic revitalization.

Brownfield Incentives: Florida offers incentives to businesses that locate in Brownfield sites, which are underutilized industrial or commercial sites due to actual or perceived environmental contamination.

Job Creation

The Qualified Target Industry Tax Refund incentive is available for companies that create high wage jobs in targeted high value-added industries. This incentive includes refunds on corporate income, sales, ad valorem, intangible personal property, insurance premium, and certain other taxes.

The Capital Investment Tax Credit is used to attract and grow capital-intensive industries in Florida. It is an annual credit, provided for up to twenty years, against the corporate income tax. Eligible projects are those in designated high-impact portions of the following sectors: biomedical technology, financial services, information technology, silicon technology, transportation equipment manufacturing, or be a corporate headquarters facility).

The High Impact Performance Incentive is a negotiated grant used to attract and grow major high impact facilities in Florida. In order to participate in the program, the project must: operate within designated high-impact portions of the following sectors: biomedical technology, financial services, silicon technology, and transportation equipment manufacturing or be a corporate headquarters facility supporting international, national or regional operations; create at least 100 new full-time equivalent jobs (if a R&D facility, create at least 75 new full-time equivalent jobs) in Florida in a three-year period; and make a cumulative investment in the state of at least \$100 million (if a R&D facility, make a cumulative investment of at least \$75 million) in a three-year period.

Industry Specific

Sales and user tax exemptions for: semiconductor, defense and space technology-based industry transactions involving manufacturing equipment; commercial space activity — launch vehicles, payloads and fuel, machinery and equipment for production of items used exclusively at Spaceport Florida; aircraft parts, modification, maintenance and repair, sale or lease of qualified aircraft; and production companies engaged in Florida in the production of motion pictures, made-for-television motion pictures, television series, commercial music videos or sound recordings.⁷

Qualified Defense Contractor Tax Refund may be up to \$5,000 per job created or saved in Florida through: the conversion of defense jobs to civilian production, the acquisition

⁷ “Tax Advantages” Eflorida.com.

of a new defense contract, or the consolidation of a defense contract which results in at least a 25% increase in Florida employment or a minimum of 80 jobs.

Massachusetts

Business Investment

The Massachusetts Investment Tax Credit (ITC) offers a 3% credit for qualifying businesses against their Massachusetts corporate excise tax.⁸ The credit is to be used for the purchase and lease of qualified tangible property used in the course of business operations.

Research and Development

R&D Tax Credit: 10% on incremental qualified and 15% on incremental basic.

Job Creation

Hiring Tax Credit: Cash rebate of 50% of newly hired biotech and medical device manufacturing employees' income tax withholdings payable over 3 years.

New York

Business Investment

An ITC of 5% of the first \$350 million of investments, plus 4% for investments over that amount, for certain eligible property including equipment or buildings used in broker/dealer and associated activity and national security exchanges, and certain property used in film production. The ITC is refundable for certain new businesses. An ITC on research and development property is available at an optional rate of 9%. An ITC for rehabilitation of historic barns based on 25% of qualified rehabilitation expenditures is also available.

Alternative energy credits for the purchase and installation of qualified fuel cell electric generating equipment and alternative fuel vehicle refueling property placed in service in New York state.

Geography Specific Document

An Empire Zones (EZs) credit program in designated areas throughout the state. Certified businesses located within an EZ are eligible to receive a wage tax credit and an investment tax credit. Taxpayers investing in zone businesses and certain zone projects can receive a capital credit. Taxpayers who meet an annual employment test can become certified as Qualified Empire Zone Enterprises and receive a credit for real property taxes and a tax reduction credit.

⁸ "Tax Incentives For Bio-Pharmaceutical Industry" Massachusetts Biotechnology Council.
http://massbio.org/industry_dev/tax_incentives.php

Credits for construction of green buildings, the clean-up and redevelopment of brownfields, and the production of biofuel.

Job Creation

An employment incentive credit (EIC) available to employers who are eligible for the ITC and add jobs. A sliding scale links larger EIC amounts with larger employment increases.

A credit of up to \$2,100 per qualified employee to employers who employ disabled individuals.

Industry Specific Documents

The employment tax credit equals \$1,000 for each employee hired over a base year figure.

The capital tax credit equals 10% or 20% of the investment in a QETC, depending upon how long the investment is held.

The QETC facilities, operations, and training credit has three components: an 18% ITC on research and development property; a 9% credit on qualified research expenses; and a credit for high-technology training expenses, up to \$4,000 per employee per year.

A refundable credit for qualified film production companies. The credit equals 10% of qualified production costs, allowable in the year the film is completed. Fifty percent of excess credit that is not applied to reduce tax liability is refundable.

Pennsylvania

Research and Development

The Research and Development Tax Credit piggybacks the Federal Tax Credit providing companies that perform applied research in Pennsylvania with a credit to offset the cost of research.

Geography Specific Document

The Enterprise Zone Credit Program allows corporations a tax credit of up to 20% on investments to rehabilitate or improve buildings or land in an Enterprise Zone.

Job Creation

The Job Creation Tax Credit is available to eligible businesses that, within three years from a negotiated state date, create 25 or more jobs or increase employment by 20%.

The Employment Incentive Payments Program provides credits to employers who hire welfare recipients.

Tennessee

Business Investment

For capital investments in industrial machinery, Tennessee offers manufacturers a tax credit offsetting up to 50% of F&E tax liability.

With a capital investment of \$50 million dollars or more, the company may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.

In order to encourage the construction of daycare facilities, the state of Tennessee offers companies a tax credit against their Franchise and Excise (F&E) tax liability equal to the cost of 25% of the construction of a facility with a cost not to exceed \$100,000 dollars per facility and a tax credit not to exceed \$25,000 dollars per facility.

Industry Specific

Companies may obtain tax credits for the purchase of materials related to the construction of a data center, which is defined as a building or buildings housing high technology computer systems and related equipment if they create 25 new jobs paying at least 150% of the state's average occupational wage and invest a minimum of \$250 million dollars in capital.

Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development broad latitude in classifying certain projects as part of an emerging industry. If companies can demonstrate a strong growth potential and commit to creating jobs which pay above the county's average occupational wage, the state may waive the threshold of 25 new jobs created in order to qualify for the Jobs Tax Credit.

Utah

Business Investment

New Employee Healthcare Credit: An additional \$200 tax credit, for two consecutive years, for each new employee insured under an employer-sponsored health insurance program if the employer pays at least 50% of the premium.⁹

Recycling Business Credit: Eligible recycling businesses that are located in designated Recycling Market Development Zones qualify for: 5% Utah tax credit on machinery and equipment; 20% Utah tax credit (up to \$2,000) on eligible new expenditures; technical assistance from Utah recycling economic development professionals; and various local incentives.¹⁰

⁹ Utah State Tax Commission. "Enterprise Zones." Revised January 1, 2007.

http://incometax.utah.gov/credits_enterprisezone.php

¹⁰ "Recycling Market Economic Development Zones." Revised January 1, 2007. Utah State Tax Commission. http://incometax.utah.gov/credits_recyclingmarket.php

Research and Development

Research Activity Tax Credit: This credit is for expenses incurred for increasing qualified research activities in Utah. A qualifying taxpayer may claim the credit in the taxable year immediately following the taxable year for which the taxpayer qualifies for the credit.

Job Creation

Job Creation Credit: A \$750 tax credit for each new full time position filled for at least six months during the tax year.¹¹ An additional \$500 tax credit if the new position pays at least 125% of the county average monthly wage for the respective industry (determined by the Utah Dept. of Employment Security). In the event this information is not available for the respective industry, the position must pay at least 125% of the total average monthly wage in the county.

Work Opportunity Tax Credit (WOTC): The WOTC is a tax credit program that provides employers with an incentive to hire legal workers who face significant barriers to employment.

Washington

Business Investment

B&O tax credit for workforce training : Establishes a new program for customized employment training through the community and technical colleges. Participating employers may claim a B&O tax credit for half of the amount repaid for the cost of employee training.

Manufacturing Machinery Sales & Use Tax Exemption: Exempts sales and use tax on machinery and equipment used directly in manufacturing or research operations. Includes installation, maintenance, and repairs in most cases.

Research and Development

High Technology Business & Occupation Credit: An annual credit of up to \$2 million for high technology businesses that perform R&D in specific high technology categories.

High-Technology Sales & Use Tax Deferral: Defers or waives sales and use tax associated with new R&D or pilot scale manufacturing operations, or expanding, renovating or equipping an existing facility to current operation.

Geography Specific Document

Manufacturers, high-tech firms, warehousing and distribution firms locating or expanding in distressed areas may qualify for a Sales and Use Tax Exemption.

¹¹ "Enterprise Zones." Revised January 1, 2007. Utah State Tax Commission.

http://incometax.utah.gov/credits_enterprisezone.php

International Services Business & Occupation Tax Credit - May receive a tax credit of \$3,000 per year for every new employment position, for up to five years. Firms must be located in community empowerment zones or designated contiguous groups of census tracts within the city or cities.

Rural County Sales & Use Tax Deferral - Defers or waives sales and use tax on machinery and equipment, cost of expansion or modernization of existing facility if floor space or production capacity is increased; construction costs for qualified leased building.

Job Creation

Business & Occupation Tax Credit for New Jobs -A \$2,000 or \$4,000 (if wages exceed \$40,000) credit against the business and occupation tax is available for each new employment position created and filled by specific industries in rural counties and community empowerment zones.

Industry Specific

Business & Occupation Tax Credit for New Jobs in Programming or Software Manufacturing: Eligible for \$1,000 per year for every new employment position, for up to five years.

Information Technology Help Desk Services Business & Occupation Tax Credit: Third party help desk service firms in rural counties are eligible for a 100% tax credit on income received.

Non-Manufacturer Aerospace B&O Credit: Provides a B&O tax credit for expenditures for aerospace preproduction development.

Bio-fuel Tax Deduction & Exemptions Tax: Benefits for sellers of bio-diesel fuel, wood biomass fuel, alcohol and wood biomass fuel blends

Timber & Wood Products Industry Incentive: Provides a two-step reduction in the tax rate for extracting and wholesaling of timber and manufacturing of timber or wood products. Partially offsetting these rate reductions is a new surcharge tax rate took effect July 1, 2007.

Non-Manufacturer Aerospace Sales & Use Tax Exemption: Sales and use tax exemption for purchases of computer hardware, software and computer, peripherals, and charges for labor and services related to the installation of such equipment.

Biotechnology & Medical Device Manufacturing: Sales & Use Tax Deferral/Waiver Defers or waives sales and use tax on machinery and equipment, construction costs for new or expanded facility.