

**ECONOMIC DEVELOPMENT INCENTIVES  
OF THE FIFTY STATES**

*State Tax, Financial and Workforce Development Incentives*

**New England Region:**

<b>NEW HAMPSHIRE .....</b>	<b>1</b>
<b>VERMONT .....</b>	<b>4</b>
<b>MAINE .....</b>	<b>8</b>
<b>MASSACHUSETTS .....</b>	<b>16</b>
<b>RHODE ISLAND .....</b>	<b>22</b>
<b>CONNECTICUT.....</b>	<b>32</b>

Compiled by the New Mexico Economic Development Department

New Mexico State Data Center: [www.nmstatedatacenter.com](http://www.nmstatedatacenter.com)

*April 2017*

## NEW HAMPSHIRE

### FINANCING & GRANTS

**Community Development Block Grant (CDBG):** Assistance can be in the form of a grant to the municipality for the public infrastructure improvements on behalf of an expanding business or a loan to the business itself. The maximum amount of funding available for any given project is \$500,000, regardless of size of the community applying for the grant. All grants have one-year duration and one job must be created for each \$20,000 in CDBG funds granted. A minimum of 60% of the jobs created must be filled by low and moderate income persons.

**Industrial Revenue Bonds:** This program is for manufacturers only; companies that manufacture or produce tangible personal property. At least 75% of bond proceeds must be spent on core manufacturing space and equipment. Storage, office and R&D space must be excluded from this calculation. To be cost effective, loans must range between \$1.5 million and \$10 million dollars. The interest rate is about 70% of prime and can be used for the purchase of land, buildings and capital equipment.

### TAX INCENTIVES

New Hampshire has:

- No Sales Tax
- No Use Tax
- No Inventory Tax
- No Capital Gains Tax
- No Broad-base Income Tax
- No Professional Service Tax

**Coos County Job Creation Tax Credit:** A tax credit to businesses hiring new employees in Coos County and paying wages equal to or above 200% of minimum wage (\$7.25 per hour). The credit is \$1,000 for any new, full-time year-round jobs applied to the Business Enterprise Tax; any unused portion of the credit can be applied to the Business Profits Tax. All new jobs created after the bill's effective dates are eligible for the credit and there is no cap on the amount of jobs created. The carry forward is five years.

**Economic Revitalization Zone Tax Credits (ERZ):** Tax credits against the business profits and enterprise taxes. To qualify, the business must be located in an unused or underutilized industrial park; vacant land; or structures previously used for industrial, commercial or retail purposes but currently not used. The maximum credit over five years is \$240,000, capped at \$40,000 per year.

**NH CDFA Tax Credits:** The New Hampshire Community Development Finance Authority awards up to \$5 million a year in New Hampshire Tax Credits to nonprofit organizations. These organizations then sell the tax credits to New Hampshire businesses as a way to raise needed capital for community projects around the state. In exchange for the contribution, a company can take 75% of the donation as a tax credit on its BET, BPT or insurance premium tax.

**R&D Tax Credit:** Businesses can apply for tax credit on new research and development costs. The amount of the credit is the lesser of 10% of the business's qualified manufacturing research and development expenditures (as defined by the IRS), capped at \$50,000 in any one year.

## **WORKFORCE DEVELOPMENT**

**Assistance in Recruiting Employees:** New Hampshire's job matching program helps companies locate potential employees. Companies can post job openings online, search for candidates and view local industry or labor market information.

**Job Training Grant Program:** is a 50/50 cash match for customized training, up to \$100,000 per application. Each application is reviewed with an emphasis on improving the skills of current or new employees. The State of New Hampshire works with businesses to create training programs specific to their needs.

The NH Working Programs: Stay at Work, Return to Work and Ready to Work are three programs offered through New Hampshire Employment security aimed at helping businesses meet their hiring needs.

1. **Stay at Work: Work Share** In the event of a business slowdown, a company may reduce work hours of its employees to avert layoffs. The employees will receive partial unemployment compensation, enabling the employer to maintain its skilled workforce and quickly resume operations when conditions improve.

2. **Return to Work:** A voluntary program to provide structured, supervised training to unemployed workers, while they continue to collect unemployment compensation. The training program may be up to six weeks and maximum of 24 hours per week.
3. **Get Ready to Work:** The New Hampshire Department of Resources and Economic Development and the Community College System of New Hampshire will provide basic skills assessments, skill certification and/or remedial courses to eligible claimants.

Source: <https://businessfacilities.com/state-by-state-incentives-guide/>  
<http://www.nheconomy.com/Grow/incentives-and-tax-credits.aspx>

# VERMONT

## **FINANCING & GRANTS**

**International Grants:** Our programs help all of our “Best in Class” Vermont businesses succeed in international markets by providing international trade related educational seminars, trade show participation, technical assistance and one-on-one consulting services. In many areas we also provide grants and funding for your business to obtain the exposure and necessary infrastructure to make an international transaction possible.

**Investment Capital:** Investments are needed at many stages in a business growth. These investments can take different forms, starting with “friends and family” and moving to more institutional investors. Following are links to some of the many resources available in Vermont. Capital sources from outside Vermont and foreign sources are also active

**The Brownfields Revitalization Fund (BRF):** The BRF, administered by ACCD, offers grants and loans for remediation of brownfield sites. The funds are made available to Vermont from EPA and eligible applicants can be private developers, non-profits and municipalities. There is no limit on the size of a loan; it depends on the amount of capital available in the fund. Grants are available to eligible non-profits and municipalities.

**Northern Border Regional Commission Grants:** The Northern Border Regional Commission, a federal-state partnership for economic and community development, has announced its 2016 awards, which total \$1,824,000 for Vermont. Made possible due to the leadership of our federal congressional delegation, the Northern Border Regional Commission works to combat economic distress in the counties of Essex, Orleans, Caledonia, Lamoille, and Franklin counties in Vermont and also in other economically distressed regions of Maine, New Hampshire, and New York.

**R&D Funding:** In partnership with the Vermont Small Business Development Center (VTSBDC), the Vermont Procurement Technical Assistance Center (VTPTAC) offers services to Vermont businesses who wish to pursue U.S. Government R&D funding. Working with VT SBDC, we can help you seek funds under Broad Agency Announcements (BAAs), which are open to large and small businesses. There is even a Vermont program designed to get Vermont businesses started on the R&D path: the VT EPSCoR "phase 0" program. VTSBDC can help you access technology funding to advance your ideas.

**Windham County Economic Development Program (WCEDP):** The WCEDP is meant to promote economic development in Windham County by providing funds to stimulate job creation through business start-ups, expansion, or relocation, encourage entrepreneurial activity, and strengthen the economic development infrastructure to ensure a strong foundation for transformational economic activity.

**Vermont Crowdfunding/Vermont Small Business Offering Exemption:** VSBOE allows Vermont businesses and start-up companies to raise up to \$2 million in capital by selling shares in their company to in-state investors. The regulation allows for a simplified process to reduce the regulatory burdens and costs usually associated with securities registration.

**Clean Energy Development Fund (CEDF):** Provides funding for projects to increase the development and deployment of cost-effective and environmentally sustainable electric power resources—primarily with respect to renewable energy resources, and the use of combined heat and power technologies.

**Vermont Community Development Program:** Can provide grants to municipalities for infrastructure required for business expansion or location. Municipalities may also loan CDBG funds to businesses for certain purposes.

**Vermont Economic Development Authority (VEDA):** Offers a suite of, low-interest loan programs that often fill the financing gap for a commercial startup or expansion project. Working either directly with a business or in partnership with a commercial lender, VEDA customizes financing solutions to fit the unique needs of business projects, large or small, utilizing a number of innovative loan programs.

**Vermont Employment Growth Incentive (VEGI):** The program can provide a cash incentive, based on new job and payroll creation and capital investments, to companies that have been authorized to earn the incentive. Authorization requires that the company and project show that the employment and investment would not occur without the incentive or would occur in a substantially different and less desirable manner, meets program guidelines, and will generate net revenues to the State after the cost of the incentives. The incentive amount is based on the economic and fiscal impact of qualifying new jobs and payroll and capital investments made by the applicant for a period of up to five years. The resulting net revenue impact is used to calculate a percentage, which is then applied against the qualifying new payroll of the net new qualifying jobs, the product of which is the incentive amount for that year.

**Vermont Sustainable Jobs Fund (VSJF):** Provides early stage grant funding, technical assistance and loans to entrepreneurs, businesses, farmers, networks and others interested in developing jobs and markets for sustainably produced goods and services.

**Working Lands Enterprise Initiative:** Grants funds to stimulate the agriculture and forest product sectors by systematically advancing entrepreneurship, business development and job creation.

## **TAX INCENTIVES**

Equipment, electricity and fuel for manufacturing are exempt from Vermont Sales and Use tax.

**R&D Tax Credit:** You may qualify for a state research and development (R&D) credit on eligible expenditures made in Vermont. The Vermont credit can be taken in an amount equal to 27% of the federal tax credit allowed in the taxable year. For more information: [tax.vermont.gov/business-and-corp/corp-and-business-income-taxes/tax-credits](http://tax.vermont.gov/business-and-corp/corp-and-business-income-taxes/tax-credits)

## **WORKFORCE DEVELOPMENT**

**Vermont Training Program (VTP):** The Vermont Training Program (VTP) has been offering performance-based workforce training grants for over 30 years. The VTP provides up to 50% of the training cost for: pre-employment, new hire, and/or incumbent employee training. Grants are paid out on a reimbursement basis upon completion of employee training.

The Vermont Training Program will be a flexible, nimble, and strategic workforce development program to enhance the skills of the Vermont workforce and increase productivity of Vermont employers.

### Eligibility

- The VTP is open to all sectors of the Vermont economy. Priority is placed on the twelve "Vermont 2020" CEDS target sectors.
- Trainees must be full-time permanent employees working in Vermont
- Types of training can be for:
  - Pre-employment (with guaranteed hire post training)
  - New Employees
  - Incumbent Employees

- Employers and training providers must show that the use of VTP funds supplement training efforts, not replace or supplant training efforts
- Training shall be directly related to the employment responsibilities of the employee
- VTP funds shall not duplicate other state and/or federal funds for employee training
- Employee compensation (hourly wage), at the completion of training, must equal or exceed the livable wage as defined by the Vermont Legislative Joint Fiscal Office (JFO). Currently set at \$13.00 per hour
- Employees must be offered a minimum of three of the following employee benefits: health insurance (w/ 50% or more of the premium paid by the employer), dental assistance, paid vacation, paid holidays, child care, retirement benefits, other paid time off excluding paid sick days, other extraordinary employee benefits.

Source: <https://businessfacilities.com/state-by-state-incentives-guide/>  
<http://accd.vermont.gov/economic-development/funding-incentives/vegi>



# MAINE

## FINANCING

**Agricultural Marketing Loan Fund:** The Agricultural Marketing Loan Fund program provides financing to help Maine farms and agricultural businesses enhance and improve their products. Funds can be used for enhanced production processes, innovative marketing techniques or product improvements.

The Agricultural Marketing Loan Fund provides low-cost financing to help farmers, food processors and aquaculture operators adopt new and innovative equipment and facilities in order to improve and enhance the manufacturing, marketability and production of Maine products. For example, funds may be used for the design, construction or improvement of commodity and storage buildings and packing and marketing facilities; or for the construction, renovation or acquisition of land, buildings, equipment, docks, wharves, piers, or vessels, located in the state of Maine and used in connection with an agricultural enterprise.

**Cluster Initiative Program:** To stimulate the growth of technology businesses and infrastructure in Maine, the Maine Technology Institute's Cluster Initiative Program makes competitive awards up to \$50,000 for feasibility and planning on a rolling basis and up to \$500,000 semi-annually for collaborative initiatives that boost the strength and scale of Maine's high-potential technology intensive clusters.

**Commercial Facilities Development Program:** The Maine Rural Development Authority's Commercial Facilities Development Program provides financial resources to assist in the development of new commercial facilities and the acquisition and redevelopment of nonproductive commercial facilities for subsequent return to productive use through sale or lease. The MRDA can serve as lender, principal developer, partner or investor in the acquisition of property and redevelopment of existing commercial properties. Investments for the program are available up to \$500,000. Municipalities or other local entities must provide 25% of the funding provided by the authority. The authority may waive this requirement given a lack of local resources.

**Commercial Loan Insurance Program:** Insures a portion of a loan to a business made by a participating financial institution. Insurance Types:

- Pro-rata: covers a certain percentage of lenders loss after a default and liquidation, up to 100%.
- Leveraged: Covers a certain percentage of lenders loss up to 25% of the loan amount at the time of default.

**Community Development Block Grant Program (CDBG):** Provides funding and technical support for community projects that meet economic development objectives and lead to job creation or retention for Maine residents with low to moderate incomes.

**Energy Conservation Loan Program:** Funded through the Maine Public Utilities Commission (PUC), it provides low-interest loans to improve energy efficiency in Maine workplaces. Loan amount is 90% of project cost, up to a maximum loan amount of \$35,000 and the interest rate is 1%, fixed for the term of the loan. Loan term is usually five years. Longer terms may be negotiated depending on the useful life of the assets being financed or additional collateral pledged.

**Economic Recovery Loan Program:** Provides subordinate (gap) financing to assist businesses in their efforts to remain viable and/or improve productivity. From time to time, funds are used to address specific business community needs. Maine-based businesses that exhibit a reasonable ability to repay the loan and demonstrate that other sources of capital have been exhausted are eligible for loans up to \$750,000 maximum loan amount. Loans of up to \$1 million may be available if substantial public benefit is demonstrated and sufficient funds available.

**Maine Economic Development Venture Capital Revolving Investment Program:** Designed to allow the State to invest as an equal partner with others in eligible private venture capital funds to support emerging and early-growth businesses in Maine. Maximum investment of \$1,000,000 per fund. It is intended to utilize experienced professional fund managers to increase the probability of successful investments in recipient companies and is available only to established venture capital funds that have a strategy for the creation and retention of jobs in Maine through:

- Investments in Maine high-growth businesses.
- A marketing and technical assistance plan.
- Appropriate monitoring of its investments.
- A technical assistance program to assist the businesses in which it invests.
- A process for complying with proposed measurement and goals.

**Maine Technology Asset Fund:** A competitive award program funded by Maine State bond proceeds. The awards must be used to fund capital and related expenditures supporting research, development and commercialization projects that will lead to significant economic benefits for Maine.

**R&D Development Loans:** Loans of up to \$500,000 per project can be made available by the Maine Technology Institute to support research and development of new products and services that lead to market, including prototype development and testing, patent applications, small scale manufacturing and scale up for manufacturing with limited production. Awarded three times per year. Match required. All projects must fall under one of Maine's seven technology clusters.

**R&D Seed Grant Program:** Seed Grants of up to \$25,000 are offered three times a year by the Maine Technology Institute to support early-stage research and development activities for new products and services that lead to the market. Funded activities may include activities such as proof of concept work, prototype development, field trials, prototype testing, pilot studies, or technology transfer activities.

**Small Enterprise Growth Fund (SEGF):** Provides initial investments, typically between \$150,000 and \$350,000, in patient capital to small businesses that demonstrate a potential for high growth and public benefit. Funds must be matched in cash. Investments from the fund may be structured as convertible debentures or direct purchases of preferred stock.

**Small Enterprise Growth Seed Fund (SEGF):** Provides Maine companies and entrepreneurs access to patient sources of venture capital. The fund is a \$9 million dollar revolving, evergreen fund. The SEGF is a professionally managed venture capital fund that invests exclusively in Maine companies that demonstrate a potential for high growth and public benefit.

**State Small Business Credit Initiatives (SSBCI):** \$13.2 million in funds will help create new private sector jobs and spur more than \$132 million in additional small-businesses lending in the state. The funding will take place in three stages, with the first allocation of \$4.3 million now taking place. The SSBCI funds will be used to recapitalize three existing, successful programs:

- \$7 million will be available to a group of 15 regional economic development agencies to make loans to businesses in their area. See FAME's Regional Economic Development Revolving Loan Program.

- \$3.2 million will be allocated to FAME for the Economic Recovery Loan Program – loans of up to \$1 million that meet the program’s underwriting requirements, which can be used statewide;
- \$3 million will be allocated to the Small Enterprise Growth Fund–Maine’s state-run venture capital fund.

**TechStart Grant Program:** The TechStart Grant is to individuals and companies across Maine who are looking to develop their new ideas and new products. Entrepreneurs with ideas of innovative technologies are encouraged to apply.

TechStart Grants will be awarded up to twelve times each year, for up to \$5,000 per project. Funds must not be readily available from another service provider. TechStart Grants may be used to support specific activities such as business plan development, intellectual property filings, market analysis, or technology transfer activities out of research institutions. TechStart Grant projects must have clearly defined deliverable outcomes and endpoints for the specifically funded scope of work not to exceed six months in duration. Each grant requires a 1:1 match consisting of actual cash, salaries, staff time, or equipment directly attributable to the proposed project. Funded projects must fall under one of Maine’s seven targeted technology sectors.

## **TAX INCENTIVES**

**Certified Media Production Tax Credit:** A media production company engaged in a media production that is certified by the Department of Economic and Community Development is allowed a credit equal to the Maine income tax related to the income from the certified media production. The credit may not reduce the entity’s tax liability below zero and unused credit amounts may not be carried over to prior or future years. The program is designed to encourage the creation of production related jobs in Maine, improve the general economy of the State, and attract visual media productions to the State.

**Employment Tax Increment Financing (ETIF):** A state program that helps new and established Maine businesses hire new employees by refunding to the business 30% to 80% of the state withholding taxes paid by the new employees for up to 10 years. The reimbursement rate rises with the level of local unemployment, with those in Pine Tree Development Zones receiving the highest rate. Retail-only and not-for-profit businesses are not eligible. To qualify, new employees must receive an annual income greater than the county’s per-capita personal income, and be provided

access to group health insurance and an Employee Retirement Income Security Act (ERISA) qualified retirement program. Qualifying businesses can begin the application and approval process as soon as they reach the point where they plan on hiring five or more net new employees over the next two years. They then typically apply for and receive their reimbursement in the first quarter of the next fiscal year. Businesses in Pine Tree Development Zones will enroll in the ETIF program as part of their PTDZ application.

**Maine New Markets Capital Investment Program:** Provides refundable state tax credits of up to 39% to investors in qualified community development entities (CDEs) that reinvest in certain businesses in eligible low-income communities in Maine. The program is modeled after the federal New Markets Tax Credit Program, and is administered by the Finance Authority of Maine, in cooperation with Maine Revenue Services and the Maine Department of Economic and Community Development. In order to be eligible to participate in the program, a CDE must be certified as a qualified community development by the Secretary of the United States Treasury, and be a party to an existing allocation agreement with the Department of Treasury's CDFI Fund that is in effect and not subject to revocation or cancellation. The allocation agreement must have Maine in its service area.

**Pine Tree Development Zone Program:** To provide new, and improve existing, employment opportunities; improve and broaden the tax base; and improve the general economy of the State of Maine, the Pine Tree Development Zone program offers eligible businesses the chance to greatly reduce or virtually eliminate state taxes for up to 10 years. Eligible Sectors include Biotechnology, Aquaculture and Marine Technology, Composite Materials Technology, Environmental Technology, Advanced Technologies for Forestry and Agriculture, Manufacturing (including Precision Manufacturing), Information Technology and Financial Services.

**Research Expense Tax Credit:** Based on a percentage of the federal credit for increasing research activities. Limitations: the credit is equal to 5% of the excess qualified research expenses over the previous three-year average plus 7.5% of the basic research payments under IRC § 41(e)(1)(A). For corporate taxpayers, the credit is further limited to 100% of the first \$25,000 in tax liability plus 75% of the tax liability in excess of \$25,000. The credit cannot be carried back, but can be carried forward for up to 15 years.

**Sales Tax Exemptions:** Maine state sales tax exemptions are available for manufacturing, R&D, custom computer programming, fuel & electricity and biotechnology.

- **Manufacturing:** – Sales of machinery and equipment used by the purchaser directly and primarily in the production of tangible personal property for later sale or lease and in the generation of radio and television broadcast signals by broadcast stations are eligible for a sales tax exemption. In addition, items consumed or destroyed directly or primarily in production, and repair and replacement parts for qualified production equipment are exempt from sales tax.
- **Research and Development:** Sales of machinery and equipment used by the purchaser directly and exclusively in research and development is eligible for a sales tax exemption.
- **Fuel & Electricity for Use In Manufacturing:** – Manufacturers are exempt from paying 95% of the sales tax on fuel and/or electricity used in the manufacturing operation.
- **Biotechnology:** – Sales of machinery and equipment used by the purchaser directly and primarily in a biotechnology application are eligible for a sales tax exemption.

**Seed Capital Tax Credit:** Designed to encourage equity and near-equity investments in eligible Maine businesses, directly and through private venture capital funds. State income tax credits may be authorized to investors for up to 60% of the cash equity they provide to eligible Maine businesses. Investments may be used for fixed assets, research or working capital.

**Tax Increment Financing (TIF):** Provides municipalities with a local tool to finance the cost of private development. Maine municipalities may redirect some or all of the new property taxes from an investment project within a designated district to assist in that project’s financing. Municipalities have three disbursement options for the tax increment:

- Give directly to the investing business to pay project costs.
- Use to retire bonds issued as part of the project.
- Retain for allowable economic development.

TIF districts may be designated for up to 30 years. Bonds may be issued for up to 20 years. Financing terms are determined by the municipality. Community designation of a TIF district requires proper public notice, a public hearing, and a majority vote of the municipal legislative body.

**Technology Tax Credits:** Maine offers tax credits and sales tax exemptions for businesses engaged in certain specialized areas. In general, R&D tax credits are based on federal IRS rules and applied for as part of a company's state corporate tax return. Sales tax exemptions are applied either at the time of purchase using an Industrial Users Blanket Sales Tax Certificate of Exemption or as a refund with the Refund Form.

**Business Equipment Tax Exemption (BETE):** Administered through Maine Revenue Services, this program eliminates the personal property tax on eligible business equipment that is first subject to assessment on or after April 1, 2007. BETE has largely replaced BETR and helps businesses avoid paying assessed taxes up front, rather than waiting and filing for a reimbursement, with no time limit to the exemption.

**Pine Tree Development Zones:** The Pine Tree Development Zones (PTDZ) program offers eligible businesses the chance to greatly reduce or virtually eliminate state taxes for up to ten years when they create new, quality jobs in certain business sectors or move existing jobs in those sectors to Maine.

Over 240 Maine businesses were participating in the PTDZ program in 2016, with reimbursements from thousands to hundreds of thousands of dollars for taxes paid on new employees. Eligible sectors are:

- Biotechnology
- Aquaculture and Marine Technology
- Composite Materials Technology
- Environmental Technology
- Advanced Technologies for Forestry and Agriculture
- Manufacturing and Precision Manufacturing
- Information Technology
- Financial Services

A new, quality job is defined as one that meets the income requirements for the current year. Income includes "income derived from employment" (IDE) or employee earnings, and employer payments toward employee benefits including retirement, health insurance, education, and dependent care. That total for any new, quality job must exceed the per capita personal income for that county according to the Income Table and Definitions.

Depending on your business sector and location, your business may be eligible for corporate tax credits, sales and use tax exemptions for both personal and real property, withholding tax reimbursements of 80%, and reduced electricity rates. Some financial sector companies may also be eligible for certain insurance tax credits.

Source: <https://businessfacilities.com/state-by-state-incentives-guide/>  
<http://www.maine.gov/decd/start-grow/tax-incentives/>



## MASSACHUSETTS

### FINANCING

**Brownfields Redevelopment Access to Capital Program (BRAC):** BRAC is administered by the Business Development Corporation of New England and offers low-cost, often state-subsidized, environmental insurance to help mitigate risk associated with brownfields redevelopment.

**Brownfields Redevelopment Fund:** MassDevelopment administers the Brownfields Redevelopment Fund, which helps to transform vacant, abandoned or underutilized industrial or commercial properties. In most cases, redevelopment is complicated by real or perceived environmental contamination and liability. Types of Redevelopment Fund Programs:

- The Brownfields Site Assessment Program provides unsecured, interest-free financing up to \$100,000 for environmental assessment of brownfields.
- The Brownfields Remediation Loan Program offers flexible loans up to \$500,000 for environmental cleanup of brownfields.

**Charter School Loan Guarantees:** Through the Massachusetts Charter School Loan Guarantee Fund, MassDevelopment provides guarantees for bank loans or tax-exempt bonds financing the acquisition, construction or renovation of charter school facilities located in Massachusetts.

For facilities owned by the school:

- Loan guarantees cover a percentage of the first mortgage loan up to the lesser of 50% or \$3 million.
- Loan advance rate may be up to 100% of the property value.

For facilities leased by the school:

- Loan guarantees cover up to the lesser of \$1,000,000 or 90% of the cost of facility improvements.

**Cultural Facilities Fund:** An initiative to increase public and private investment in cultural facilities throughout the state. The program is administered jointly with the Massachusetts Cultural Council 501(c)3 organizations engaged in the arts, humanities or interpretive sciences. All grants must be matched by contributions from the private or public sector. Three types of grants are available:

1. Capital Grants for the acquisition, design, construction, repair, renovation, and rehabilitation of a cultural facility.
2. Feasibility and Technical Assistance Grants for the planning and assessment of a cultural facility.
3. Systems Replacement Grants for 20-year capital needs assessments of buildings and mechanical systems.

Eligible facilities include: museums, historic sites, zoos, aquariums, theaters, concert halls, exhibition spaces, classrooms, and auditoriums. Additionally, these facilities must be:

- Owned, leased, or used by one or more nonprofit cultural organizations
- Accessible to the public
- Public or private institutions of higher education that own cultural facilities that:
  - Provide service and open access to the community and the general public beyond their educational mission
  - Demonstrate financial need

Facilities owned by municipalities must be at least:

- 50,000 square feet
- 50% devoted to cultural purposes

**Equipment Loan:** If your company is expanding operations and needs to purchase equipment, MassDevelopment can help. The equipment loan program offers loans or bank loan participations up to \$2,000,000; fixed rate financing; loan terms up to seven years; loan advance rates up to 85% of the cost of new equipment; and exporters may receive 100% financing for new equipment

**Exporter Financing:** MassDevelopment offers the following programs to help companies that export or anticipate exporting products or services internationally:

100% Export Loan

- 100% financing for new equipment, leasehold improvements and working capital
- Loans up to \$2,000,000
- Interest-only payments for the first 12 months
- Up to seven year term and amortization

## Export Loan Guarantees for Banks and Lenders

- Loan guarantees against losses of up to 90% of the loan amount on export working capital lines of credit up to \$1,000,000.
- The guarantee allows a lender to accept foreign accounts receivable and inventory for foreign sale as collateral.
- Guarantees on term loans for equipment and other purposes up to 70% of the loan amount or \$500,000.
- With the loan guarantee in place, a bank or financial institution is able to extend more credit.

Export Credit Insurance: With assistance from MassDevelopment, exporters can obtain export credit insurance from Ex-Im Bank. Export credit insurance helps you to get paid and provides your international customers with competitive credit terms.

- Eliminates most risk of nonpayment by international buyers.
- Provides credit terms to international buyers that can increase sales.

**Manufacturing Planning Loans:** MassDevelopment provides Manufacturing Planning Loans up to \$50,000 with low interest rates and terms of up to five years. Loans can be used by manufacturing companies to pay for consultant services. Eligible consultant contracts include services to evaluate and improve demand (sales and marketing), fulfillment (operations improvement) and finance and administration (strategic leadership).

**Massachusetts Emerging Technology Fund (ETF):** Provides start-up or emerging technology companies with financing for working capital, manufacturing facilities and equipment. The ETF offers loans or loan participations up to \$2,500,000 and loan guarantees up to \$1,500,000. To qualify for ETF financing, you must be a technology company starting or expanding manufacturing operations in Massachusetts, and have strong management teams, demonstrated technical feasibility, market demand for your products and a proven fundraising record. Additionally:

- Financing must be for the purchase, expansion or improvement of real estate, working capital, and/or the purchase of equipment
- There must be at least two other parties at risk
- Financial investment must benefit the Massachusetts economy

The ETF also offers loans to bridge the receipt of federal grants by advanced manufacturing companies:

- Loans of up to \$500,000
- Payable in full upon receipt of federal grant
- Deferred and accrued interest due at maturity

**Mortgage Insurance Guarantee:** MassDevelopment can provide a guarantee on a portion of a bank real estate loan or tax-exempt bond. The guarantee covers the difference between a bank's maximum allowable loan advance rate and up to 90% of the property value, thereby increasing the amount of financing available to your business. The program offers:

- Loan guarantees up to \$2,000,000
- Loan advance rates up to 90% of the value of the real estate

Guarantees are also available for charter school loans, tax-exempt bonds, loans to companies that export products to international markets and working capital loans to manufacturers.

**Predevelopment Loans:** Predevelopment loans can be used to finance early stage project costs, such as architectural and engineering work or traffic and feasibility studies necessary to advance a project to the construction stage. It offers loans up to \$100,000 and deferred interest payments. Borrowers are required to provide a 50% match for MassDevelopment loan funds.

**Real Estate Loans:** Can be used to fund facility acquisition, renovation, construction and permanent financing. The program offers:

- Loans or bank loan participations up to \$7,500,000
- Construction loans, usually made in partnership with another lender
- Permanent financing loans
- Multi-tenant, mixed use, commercial, industrial
- Manufacturers, small business, nonprofits
- Rental housing apartment buildings
- For owner-occupied real estate, loan advance rates up to 90% of the property value

**TechDollars:** MassDevelopment offers loans from \$25,000 to \$250,000 to help nonprofit 501(c)(3) organizations located in Massachusetts purchase and install technology equipment. 100% of cost of purchase of new or used telecommunications and information technology equipment, software and related installation costs.

**USDA Loan Guarantees:** MassDevelopment is an approved lender for the USDA Rural Development Business & Industry Loan Guarantee Program, which helps support job creation and economic development initiatives in rural areas — communities with fewer than 50,000 people and not adjacent to those with populations over 50,000.

**Working Capital Loan Guaranty for Manufacturers:** Allows banks to make larger working capital loans to manufacturing companies by providing a guaranty of up to 25% of the amount outstanding on a revolving line of credit. The guaranty terminates with the maturity of the line of credit and will be considered for renewal on the same cycle as the bank, but no less frequently than every three years. Term working capital loans may also be guaranteed in a fixed amount equal to no more than 25% of the bank's loan amount. The guarantee amortizes dollar for dollar with the underlying term loan for up to five years. MassDevelopment charges an annual fee equal to 1% of the guaranty amount as long as the guaranty is outstanding.

## **TAX INCENTIVES**

**Brownfields Tax Credit Program:** The tax credit program is administered by the Massachusetts Department of Revenue and offers eligible businesses and nonprofits a tax credit for the costs incurred to remediate contaminated property owned or leased for business purposes and located in an economically distressed area. Tax credits may be used against state tax liabilities, or transferred or sold to third parties.

**Economic Development Incentive Program (EDIP):** EDIP is a tax incentive program designed to foster job creation and stimulate business growth throughout the Commonwealth. Participating companies may receive state and local tax incentives in exchange for job creation, manufacturing job retention and private investment commitments.

**Film Production Incentives:** Massachusetts provides filmmakers with a highly competitive package of tax incentives: a 25% production credit, a 25% payroll credit and a sales tax exemption. Any project that spends more than \$50,000 in Massachusetts qualifies for the payroll credit. Spending

more than 50% of total budget or filming at least 50% of the principal photography days in Massachusetts makes the project eligible for the production credit and a sales tax exemption. Program requirements are straightforward. There are no annual or project caps. No residency requirements. No extended schedule of credit payouts. The payroll credit includes above- and below the line; the production credit includes out-of-state production expenses. Credits can be cashed out with the Commonwealth of Massachusetts at 90% of face value after satisfying tax liabilities, or can be transferred at market rate. Credits can be used for up to five tax years. The incentive program is managed by the Massachusetts Department of Revenue.

**New Markets Tax Credit (NMTC) Program:** The NMTC Program was created to stimulate investment in designated low-income communities. MassDevelopment assesses potential NMTC projects for both nonprofit and for-profit businesses, including:

- Community and health centers
- Retail and office space
- Performing arts centers
- Mixed-use developments
- Light industrial use centers
- New construction
- Rehabilitation of historic and non-historic structures

Source: <https://businessfacilities.com/state-by-state-incentives-guide/>  
<http://www.mass.gov/hed/economic/eohed/bd/econ-development/>

## RHODE ISLAND

### **FINANCING**

**First Wave Closing Fund:** The First Wave Closing Fund provides lynchpin financing unavailable from other sources to close transactions of a critical or catalytic nature. Funds can be used for (1) working capital, equipment, furnishings, fixtures; (2) the construction, rehabilitation, purchase of real property; (3) as permanent financing; or (4) such other purpose as the Corporation approves.

**Industry Cluster Grants:** Competitive grants to start, grow or improve industry sector partnerships, encouraging companies to work together to solve problems, exchange technology and share talent. Competitive startup and technical assistance grants range from \$75,000 to \$250,000, while competitive program grants start at \$100,000 and cap at \$500,000 for businesses that enhance cluster growth and effectiveness.

**Innovation Network Matching Grants:** Matching funds to expand a small business development and assistance program at eligible organizations to help more companies start and grow their firms. Competitive applicants will be non-profit organizations, for-profit organizations, universities and co-working space operators that are helping entrepreneurs and small businesses solve innovation challenges, have a track record of outcomes that demonstrate success in helping entrepreneurs and small businesses solve these problems, and have well-conceived plans for scaling or expanding successful programs or initiatives to reach more entrepreneurs and small businesses. Applicants must be able to provide matching support (cash, in-kind, or a combination of) of at least \$50,000. Programs for which grant assistance is sought must be well-defined and applying organizations must have a demonstrated track record of assisting small business development.

**Innovation Vouchers:** Are you a small business owner in Rhode Island? Do you have fewer than 500 employees within Rhode Island? Are you searching for R&D services to develop an innovative product or process that could help grow your business, create new markets and reach new clients? If you answered “yes” to these questions, then you may be eligible to receive \$5,000-\$50,000 through the Rhode Island Innovation Voucher program. Rhode Island small businesses may redeem the voucher in partnership with a Rhode Island knowledge providing institution for activities including but not limited to:

- Research and development support towards the commercialization of innovative new products, processes, and/or services;

- Services and activities including access to research or scientific expertise;
- Technological development or technological exploration;
- Product, service, or market development; and
- Improved business practices that implement strategies to grow business and create operational efficiencies.

Vouchers must be redeemed within 12 months of receipt. No more than two vouchers may be awarded within a 12-month period. Knowledge providers are limited to a 25% indirect cost charge. All small businesses must be located and conducting business in the state of Rhode Island, and at least fewer than 500 employees must be located in the state of Rhode Island.

**Main Street Rhode Island Streetscape Improvement Fund:** The Main Street Rhode Island Streetscape Improvement Fund awards grants or loans on a competitive basis for improvements to our commercial districts. Funding is available for projects that improve the streetscape, such as enhanced sidewalks, new street furniture, new way-finding signage, upgraded building facades or improved street lighting. Projects can receive up to \$300,000 in funding. Applicants must have matching funds of at least 30% of the total project cost, though matching funds can take multiple forms, including expenditure on direct construction costs or soft costs, real estate donated to the project, or federal or local grants.

**Innovate Rhode Island Small Business Fund (IRISBF):** In 2013, to foster job creation, facilitate small business development and enhance the workforce pipeline, the Rhode Island General Assembly created the Innovate Rhode Island Small Business Fund (IRISBF). Through a variety of programming supported by the Fund, eligible Rhode Island small businesses may apply for grants to defray the cost of applying for SBIR/STTR awards, match SBIR/STTR Phase I and Phase II awards and hire interns. The goals of the program are to:

- Leverage state funds to encourage and support Rhode Island entrepreneurial participation in the federal SBIR/STTR programs;
- Increase the amount of federal research dollars received by Rhode Island firms;
- Sustain companies through the early stages of product development;
- Encourage the establishment of high potential, high quality, high growth ventures in Rhode Island; and
- Enhance the talent pipeline in the life sciences and engineering fields.



## **TAX INCENTIVES**

**Anchor Institution Tax Credit:** Compensates existing Rhode Island businesses that attract suppliers, service providers and/or major customers to relocate to Rhode Island. The fiscal year 2016 budget includes \$1.75 million to fund this program.

Eligible relocations must have 10 jobs in 2015-2018 and 25 jobs in 2019-2020

Sector, location, demonstrated role in relocation decision, impact on state, prevailing brokerage fee and ROI all factors in award

**Corporate Income Tax Rate Cut:** As of January 1, 2015, the corporate income tax rate under Rhode Island General Laws (RIGL) § 44-11-2 is 7%, down from 9%. For some taxpayers, the actual rate could be lower, depending on certain factors. In addition, effective for tax years beginning on or after January 1, 2015 C Corporations will use a single sales factor to apportion income to Rhode Island (in lieu of the standard three-factor apportionment formula). The annual corporate minimum tax remains at \$500.

**Personal Income Tax Cut:** Beginning January 2011, Rhode Island's personal income tax structure has been modified to lower the personal income tax rates in the state. Highlights of the legislation include:

- Reduces the number of tax brackets from five to three
- Lowers the top bracket from 9.99% to 5.99%
- Increases standard deductions for taxpayers to between \$7,800 and \$15,600 with personal and dependent exemptions equal to \$3,650

**Qualified Jobs Incentive Tax Credit:** Companies expanding their workforce in Rhode Island or relocating jobs from out of state can receive annual, redeemable tax credits for up to 10 years with the Qualified Jobs Incentive program. Credits can equal up to \$7,500 per job per year, depending on the wage level and other criteria. The minimum number of new jobs needed to qualify varies by industry and company size, but can be as few as 20, or even 10, jobs. The first 500 jobs approved under the program will receive the maximum credit available.

Target Industries include; biomedical innovation, IT/software, Cyber-physical systems, Data analytics, Defense shipbuilding and maritime, advanced business services, Design, food and custom manufacturing, Transportation, distribution, logistics, Arts, Education and Hospitality and tourism.

**Rebuild Rhode Island Tax Credit:** If a real estate project cannot raise sufficient funding, or is at risk of locating in another state, Rebuild Rhode Island can fill the financing gap with redeemable tax credits covering up to 20% – and, in some cases, 30% – of projects costs. Commercial office, industrial, residential, mixed use development, ground-up construction and historic rehab can qualify. A minimum project cost of \$5 million and certain square footage/project size minimums may apply. Approved projects can also be exempted from sales tax on construction materials, furnishings and equipment.

**Small Business Assistance Program:** The goal of the program is to assist viable entrepreneurs and small business that encounter difficulty obtaining adequate credit from traditional lending organizations. Among the businesses the program targets are women- and minority-owned establishments as well as enterprises in Rhode Island’s underserved communities.

The corporation is partnered with the following organizations to provide direct loans to businesses.

Partners for direct loans at or above \$25,000:

- Business Development Company of Rhode Island
- South Eastern Economic Development (SEED) Corporation
- Community Investment Corporation

Partners for direct micro-loans between \$2,000 and \$25,000:

- Center for Women & Enterprise
- Social Enterprise Greenhouse
- Community Investment Corporation

The corporation has also partnered with BDC Capital Corporation to establish the Rhode Island Capital Access Program. Businesses can borrow as little as \$1,000 or up to \$750,000. The program encourages banks and credit unions to make slightly riskier loans by providing matching funds from the state to create cash collateral accounts. The program is simple, fast, and flexible for both borrowers and lenders.

**Tax Increment Financing:** Tax Increment Financing provides capital for eligible projects by rebating the new state tax revenue generated by the project. An eligible project must demonstrate need through a “financing gap”. The tax revenue rebate may not exceed 30% of total project costs (exemption for public infrastructure/utilities) or 75% of incremental revenue generated.

**Tax Stabilization Incentive:** The Tax Stabilization Incentive provides an incentive for Rhode Island municipalities to enter into tax stabilization agreements (TSA) by reimbursing municipalities up to 10% of tax revenue foregone due to the completion of a TSA that spans at least 12 years. Qualifying projects must be at least \$10 million and create 50 jobs (or at least \$5 million and 25 jobs in Hope Communities).

**Wavemaker Fellowship:** Used to attract and retain talent through funding student loan repayment costs for graduates employed at Rhode Island companies pursuing careers in technology, engineering, design and other key sectors in the state. Four-year reimbursement equal to individual's student loan obligation not to exceed: \$1,000 for an associate's degree, \$4,000 for a bachelor's degree or \$6,000 for a graduate/post-graduate degree. 70% of the fund is dedicated to Rhode Island residents or graduates of Rhode Island academic institutions

**Innovation Tax Credit:** Rhode Island offers a tax credit to encourage investment in high-growth, high-wage innovation industries. The Rhode Island Innovation Tax Credit offers up to a 50% credit on qualified capital investments, with a maximum tax credit of \$100,000. To be eligible to apply for the credit, a company must produce traded goods or services, have annual gross revenues of less than \$1 million in the prior two calendar years, and must be categorized as one of the following innovation industries: biotechnology and life sciences; communication and information technology; financial services; marine and defense manufacturing; professional, technical and educational services; and industrial and consumer product manufacturing and design.

The credit may be carried forward for a period not to exceed three years. Companies must apply for the credit prior to the investment. Once an application is approved, the company has up to 12 months to invest and provide proof of investment to the Commerce Corporation board of directors. Upon completion of this process, the Commerce Corporation will certify the company's eligibility for the credit with the Rhode Island Division of Taxation.

**Investment Tax Credit for Non-Manufacturing Firms:** Firms in certain non-manufacturing industries are also able to take the 10% investment tax credit on owned or leased tangible personal property and other tangible property placed in service on or after January 1, 1998.

The 10% credit is not allowed on buildings, structural components, motor vehicles and furniture for non-manufacturing firms. The investment tax credit may not reduce the taxpayer's liability below 50% of the taxpayer's total tax liability before credits for that year. Unused credits may be carried forward up to seven years.

**Manufacturing Investment Tax Credit:** A manufacturer is allowed a 4% tax credit against the Rhode Island corporate income tax on buildings and structural components, as well as machinery and equipment, which are owned or leased and are principally used in the production process (including storage). Property principally used for administration and distribution purposes is not eligible. The investment tax credit may not reduce the taxpayer's liability below the minimum business tax. Unused credits may be carried forward for up to seven years.

**High Performance Manufacturing Investment Tax Credit:** High-performance manufacturers are allowed a 10% investment tax credit against their corporate tax on the cost of qualified lease amounts for tangible personal property or other tangible property, as well as buildings and structural components owned, leased to own or leased for at least 20 years. Under current law, credits are transferable between related entities. Unused credits may be carried forward up to 15 years for biotechnology firms and up to seven years for other types of manufacturers.

Biotechnology-related firms wishing to use the Investment Tax Credit beyond seven years must, for each tax year, maintain an average quarterly employment level that is at least 9.5% above the level maintained in the fourth year of the initial credit and pay an average quarterly median wage that is at least equal to the quarterly median wage for the previous three calendar years.

**Business Income Apportionment for Manufacturers:** Affiliated multi-state corporations may file single, separate Rhode Island corporate tax returns or file a consolidated return. In either case, the corporate net income/net worth is subject to Rhode Island apportionment using the average of a three-factor formula (property, receipts and payroll).

For tax years beginning on or after January 1, 2005, the alternate apportionment formula allows for a 25% property factor, a 25% payroll factor and a 50% receipts factor.

**Apportionment Exclusion for Medical & Pharmaceutical Manufacturers:** A Rhode Island manufacturer of medical instruments, supplies or pharmaceuticals whose facility is registered and certified by the United States Food & Drug Administration may modify the Rhode Island business income apportionment formula for the current tax year.

The property value portion in the numerator may be reduced by the increase in book value of tangible personal property in Rhode Island in the current taxable year over the previous year.

The wage value portion in the numerator may be reduced by the increase in total qualified payroll in Rhode Island in the current taxable year over the previous year.

**Accelerated Amortization for Defense Industry Manufacturers:** Qualified corporations which have annually produced goods worth at least \$10,000,000 at facilities located in Rhode Island, over a period of five consecutive years, may accelerate the amortization of depreciable assets over a five-year period if an average of at least 80% of that production has been for sale to a branch of the United States Armed Services. The company must anticipate the need to reduce its reliance on such sales in order to qualify.

**Manufacturing Fuels & Raw Materials Sales Tax Exemption:** Sales of tangible personal property, computer software and public utility services are exempt from sales tax when the property or service becomes a component part of a manufactured product for resale, or when the property or service is used in the process of manufacturing or processing products for resale.

**Manufacturing Machinery & Equipment Sales Tax Exemption:** Sales, storage, use, or other consumption of tools, dies, and molds, and machinery and equipment (including replacement parts), and related items to the extent used in an industrial plant in connection with the actual manufacture, conversion, or processing of tangible personal property are exempt from sales tax.

**Research & Development Expense Credit:** Rhode Island offers a 22.5% tax credit for increases in qualified research expenses – the highest rate in America. This credit is available Rhode Island companies filed as a C-corporation. If the increase above base period expenditures exceeds \$111,111, the credit equals 16.9% of the excess. Unused credits may be carried forward for up to seven years.

**Research & Development Property Credit:** A taxpayer is allowed a 10% tax credit for expenditures paid or incurred for the construction, reconstruction or acquisition of any property that is principally used or to be used for research and development in the experimental or laboratory sense. Leased property is not eligible. The property must be depreciable and have a useful life of three years or more. This credit is available Rhode Island companies filed as a C-corporation. Unused credit may be carried forward for up to seven years.

**Elective Deduction for Research & Development Facilities:** In lieu of depreciation or the investment tax credit, a taxpayer is allowed a one-year write-off for expenditures paid or incurred during the taxable year for the construction, reconstruction or acquisition of all qualifying depreciable tangible property, including buildings, which is used or to be used for the purpose of research and development in the experimental or laboratory sense. The deduction is allowed under the corporate income tax.

**Research & Development Sales Tax Exemptions:** Sales or use of scientific equipment, computers, software and related items to a qualifying firm to be used predominantly for research and development purposes are exempt from Rhode Island Sales and Use Tax.

**Motion Picture Production Tax Credit:** Rhode Island provides a transferable 25% tax credit against the Rhode Island State House corporate or personal income tax for all certified costs (including salaries) associated with Rhode Island primary locations of feature-length film, video, video games, television series or commercials. There are no caps on the amount of certified costs that are eligible for the credit. A “primary location” means the locations within which at least 51% of the motion picture principal photography days are filmed. Unused credits can be carried forward for up to three years.

The film/TV commercial/video game production must be filmed primarily in Rhode Island and have a minimum budget of \$300,000. The Rhode Island Port of Entry Act passed in 1997 allows a foreign (non-U.S.) insurance company to become licensed in Rhode Island and, as long as it maintains its base of U.S. operations in Rhode Island, be treated as a Rhode Island domiciled insurance company for the purposes of obtaining licenses in other states.

## **WORKFORCE DEVELOPMENT**

**Employer’s Apprenticeship Tax Credit:** Employers of registered full-time apprentices in the metal and plastic industries are eligible for an annual corporate tax credit of 50% of the actual wages paid to the qualifying apprentice, or \$4,800, whichever is less. The number of apprenticeships for which tax credit is allowed must exceed the average number of apprenticeships begun during the five preceding income years. Current registered apprenticeship programs are diverse and include: machinist, toolmaker, model-maker, gage maker, pattern-maker, plastic process technician, tool and machine setter, die-sinker, mold-maker, tool and die maker, and machine tool repair.

**Job Training Grants:** The Governor’s Workforce Board offers a training program for business and industry funded through a job development assessment of 0.21% on the firm’s taxable payroll. (Each employer’s unemployment tax rate is reduced annually by 0.21% to ensure that this program does not result in a tax increase.) This pool of money is available to create customized training programs tailored specifically for a company and free from income and other restrictions imposed by federally funded programs.

**Job Training Tax Credit:** Rhode Island law (RIGL 42-64.6) grants a credit against the corporate income tax (or the insurance premium tax) equal to 50% of eligible training expenditures for new or existing employees, in accordance with an approved training plan. Employees must be full-time, and after training, the employee must earn at least 150% of the Rhode Island minimum wage. Training plans must

be filed with the Rhode Island Human Resources Investment Council for prior written approval. The credit is capped at \$5,000 per employee over a three-year period.

**Jobs Growth Act of 2005:** The Jobs Growth Act (RIGL 42-64.11-1) allows eligible businesses in any industry to offer their employees an exclusion of 50% of performance-based compensation from their Rhode Island gross income. In return, the company pays a 5% tax each year on the performance-based income paid that year. An application for certification would be filed with the Rhode Island Commerce Corporation.

In order to qualify, a company must hire 100 new employees in the state and add at least \$10 million to its state payroll. Those new workers must earn at least 125% of the state's average annual compensation.

Employees cannot have been previously employed by the company. The tax cut applies only to bonus or incentive income, not base salary.

**Adult Education Tax Credit:** The Adult Education Tax Credit (RIGL 44-46) allows for a corporate tax credit of 50% of the direct costs for vocational training or basic education, up to a maximum of \$300 per employee. The maximum overall credit is \$5,000 per employer per calendar year. The employee must remain employed by the business for 13 consecutive weeks and a minimum of 455 hours of paid employment before the credit can be claimed. This credit is available Rhode Island companies filed as a C-corporation. Credits cannot be carried forward.

**Educational Assistance and Development Credit:** A contribution to a Rhode Island institution of higher education is allowed a tax credit of 8% for the amount above \$10,000. The contribution, which can include qualified tangible personal property, must be for the establishment or maintenance of a faculty chair, department, work fellowship, or program of scientific research or education. The 8% tax credit is applied against the corporate income tax, the bank excise tax or the insurance companies tax. Unused credits may be carried forward up to five years.

**Bonus Program Private Participation:** An employer who participates in the Bonus Program, which provides job training for former public assistance recipients, can qualify for a \$250 tax credit per participant. A certificate of eligibility from the Rhode Island Department of Human Services is required.

**Hiring of Unemployed or Low-Income Residents:** A tax credit of 40% of a newly-hired employee's first year wages (up to a maximum of \$2,400) is allowed for individuals or businesses that employ and retain Rhode Island residents who were previously unemployed or receiving public assistance. This tax credit

cannot be taken against the taxpayer's personal income tax. The business must seek certification of the employee's unemployment status from the Department of Labor and Training within 30 days of hire.

Each eligible employee must:

- Have been a Rhode Island resident for at least 52 consecutive weeks prior to the date of hire
- Previously unemployed for a period of at least 26 consecutive calendar weeks immediately prior to the date of hire
- Either: (1) received public assistance for at least one year preceding the date of hire or (2) have received unemployment benefits from Rhode Island or any other state at any time during the 52 weeks prior to the date of hire.

Source: <https://businessfacilities.com/state-by-state-incentives-guide/>  
<http://commerceri.com/finance-business/taxes-incentives/>



# CONNECTICUT

## **FINANCING & GRANTS**

**Connecticut Innovation's (CI) Pre-Seed Fund:** CI's Pre-Seed Fund supports the formation of new Connecticut technology companies by providing the funding, mentoring and resources needed to turn ideas into an early-stage technology company. In addition to providing equity, CI's experienced, entrepreneur-friendly team works with each pre-seed company to offer advice, support and introductions to powerful connections that help develop a commercially viable business. This holistic thinking has led CI to become one of the most active early-stage investors in the country. Funding amount is up to \$150,000 for pre-seed expenses; at least a 50% match is required from private sources.

**Economic and Manufacturing Assistance Act (MAA):** Incentive-driven direct loans for projects when there is a strong economic development potential. Eligible uses include:

- Planning, including but not limited to: feasibility studies, engineering, appraisals, market studies and related activities
- Acquisition of real property, machinery or equipment or any combination, provided such assistance does not exceed the fair market value
- Construction of site and infrastructure improvements relating to a municipal or business development project
- Construction/renovation/demolition of buildings
- Relocation expenses for the purpose of assisting manufacturing or other economic-based businesses to locate, construct, renovate or acquire a facility
- Working capital in conjunction with a business development project
- Business support services such as labor training, day care, energy conservation, pollution control, recycling and the like, in conjunction with other state agencies

**First Five Program:** Governor Malloy's First Five jobs initiative allows for substantial financial assistance for large-scale business projects to encourage business expansion, relocation and job creation. The assistance under this program may include up to 100% funding under the Manufacturing Assistance Act (MAA) and additional business tax credits.

- An eligible business development project under the program must commit to (1) create not less than 200 jobs within 24 months from the date the application is approved or (2) invest not less than \$25 million and create not less than 200 new jobs not later than five years after the date an application is approved.
- The Commissioner of the Department of Economic and Community Development (DECD) may give preference to a business development project that is a redevelopment project if the Commissioner believes the project will create jobs sooner than either 24 months from the date of application if the company creates not less than 200 jobs or within five years from the date of application if the investment is not less than \$25 million.
- The DECD Commissioner may waive existing statutory caps on the amount of tax credits insurers may claim against the insurance premium tax.
- The written consent of the Governor is required for financial assistance awarded through the program. Prior to the Governor's approval, the DECD Commissioner must certify that the business development project applicant has satisfied all criteria in the program.
- In order to expedite the approval process, eligible First Five projects are exempt from current laws requiring legislative approval for financial assistance or tax credits above the present statutorily specified amounts required for approval.

**Small Business Express Program (EXP):** Provides loans and grants to Connecticut's small businesses to spur job creation and growth. Small businesses with operations in Connecticut, registered to conduct business for not less than twelve months, in good standing with all state agencies and with the payment of all state taxes, and employing not more than 100 employees, are eligible to apply. Priority for available funding will be given to those eligible applicants who (1) are creating new jobs and (2) are within Connecticut's economic base industries, as defined in Connecticut General Statutes 32-222, including but not limited to: precision manufacturing, business services, green and sustainable technology, bioscience, and information technology sectors.

## **TAX INCENTIVES**

**Angel Investor Tax Credit Program:** Angels are people who invest in startups in exchange for equity. Vital to the entrepreneurial scene, angels provide entrepreneurs with seed capital, which is notoriously difficult to raise. They're also often entrepreneurs themselves, or industry experts with a personal interest in helping the company succeed. Certain Connecticut businesses may qualify to participate in

the Angel Investor Tax Credit Program if their principal place of business is in Connecticut and they are engaged in bioscience, advanced materials, photonics, clean tech or IT. They must also have:

- Gross revenues under \$1 million in the most recent income year
- Fewer than 25 employees, including shareholders, members or active partners, 75% of whom are Connecticut residents
- Operated in Connecticut for less than seven consecutive years
- Received less than \$2 million in eligible investments from angel investors

**Digital Animation Tax Credit (Conn. Gen. Stat. §12-217II):** A tax credit available to state-certified digital animation production companies that engage in digital animation production activities on an on-going basis. This tax credit is administered by the Connecticut Department of Economic and Community Development (DECD). This tax credit may be applied to the taxes imposed under Chapter 207 and Chapter 208 of the Connecticut General Statutes. Any digital animation production company receiving a digital animation tax credit shall not be eligible for or receive the film production tax credit. The tax credit is equal to:

- 10% for production expenses or costs of \$100,000 to \$500,000;
- 15% for production expenses or costs of more than \$500,000 to \$1 million; and
- 30% for production expenses or costs of \$1 million or more.

**Digital Media & Motion Picture Tax Credit:** A tax credit program to encourage the production of digital media and motion pictures in the State of Connecticut. The legislation makes it possible for eligible production companies to receive a tax credit of up to 30% of qualified digital media and motion picture production, pre-production and post production expenses incurred in the state.

**Fixed Capital Investment Tax Credit (Conn. Gen. Stat. §12-217w):** A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes for amounts paid or incurred by a corporation for fixed capital. Fixed capital means any new tangible personal property that meets all of the following criteria:

- It must have a class life of more than four years;
- It must have been purchased from someone other than a related person;
- It is not leased or acquired to be leased to another person within 12 months of purchase;
- and

- It will be held and used in Connecticut by a corporation in the ordinary course of the corporation's trade or business in Connecticut for a period of not less than five full years following its purchase.

Fixed capital does not include inventory, land, buildings or structures or mobile transportation property.

**Green Buildings Tax Credit (Conn. Gen. Stat. §12-217x):** A tax credit is available for eligible construction, renovation or rehabilitation projects. The tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes. The eligible projects must use Energy Star equipment and appliances, if applicable, and must have energy use that does not exceed:

- 70% of the energy use allowed by the state energy code for new construction eligible projects; or
- 80% of the energy used allowed by the state energy code for renovation or rehabilitation eligible projects.

**Historic Structures Rehabilitation Tax Credit (Conn. Gen. Stat. §10-416a):** A tax credit administered by the Connecticut Department of Economic and Community Development (DECD) is available to an owner rehabilitating a certified historic structure for residential use or to a taxpayer named by the owner as contributing to the rehabilitation. This tax credit may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes. This tax credit may be assigned, transferred or conveyed. The tax credit is equal to the lesser of the tax credit reserved upon certification of the rehabilitation plan or 25% of the actual qualified rehabilitation expenditures not exceeding \$2.7 million. The amount of the tax credit that may be claimed will be entered on the tax credit voucher issued by DECD.

**Human Capital Investment Tax Credit (Conn. Gen. Stat. §12-217x):** A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes for expenditures made by a corporation for human capital investment. The tax credit is equal to 5% of the amount paid or incurred by the corporation for a human capital investment. No corporation claiming this tax credit shall claim any other credit against any tax with respect to the same investment. Human capital investment means:

- In-state job training of persons employed in Connecticut;
- Work education programs in Connecticut;
- Worker training and education of persons employed in Connecticut provided by Connecticut institutions of higher education;

- Donations or capital contributions to institutions of higher education in Connecticut for improvements or advancement of technology, including physical plant improvements;
- Planning, sit preparation, construction, renovation, or acquisition of facilities in Connecticut for the purpose of establishing a day care facility to be used primarily by the children of employees who are employed in Connecticut;
- Child care subsidies paid to employees employed in Connecticut for child care provided in Connecticut; or
- Contributions made to the Individual Development Account Reserve Fund administered by the Connecticut Department of Labor.

**Insurance Reinvestment Tax Credit Program:** Provides a 100% insurance premiums tax credit to insurance companies that invest with approved fund managers who will provide financing to eligible Connecticut businesses, including 25% committed to green technology businesses and 3% to pre-seed investments.

**Machinery and Equipment Expenditure Tax Credit (Conn. Gen. Stat. §12-217o):** A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes for expenditures in machinery and equipment by corporations that have no more than 800 full-time, permanent employees in Connecticut. The tax credit is based on a percentage of the amount spent on machinery and equipment acquired for and installed in a facility in Connecticut that exceeds the amount spent for such machinery and equipment in the preceding income year. The incremental increase in machinery and equipment is calculated by including all the prior year's expenditures on machinery and equipment without regard to whether or not the expenditures were claimed against this tax credit in the prior year. The expenditure for machinery and equipment is the sum of the cash paid plus any consideration received for an asset that is traded in.

- A tax credit equal to 5% of the incremental increase in expenditure for machinery and equipment is available if the corporation employed between 251 and 800 full-time, permanent employees whose wages, salaries, or other compensation is paid in Connecticut.
- A tax credit equal to 10% of the incremental increase in expenditures for machinery and equipment is available if the corporation employed not more than 250 full-time, permanent employees whose wages, salaries, or other compensation is paid in Connecticut.

**Research and Development (Noni-incremental) Expenses Tax Credit (Conn. Gen. Stat. §12-217n):** A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes

for R&D expenses incurred in Connecticut. A qualified small business is entitled to a tentative tax credit equal to 6% of its research and development expenses. All other companies calculate their tax credit as provided in the chart below:

<b>Research and Development Expenses</b>	<b>Tentative Tax Credit Percentage</b>
\$50 million or less	1%
More than \$50 million but not more than \$100 million	\$500,000 + 2% over \$50 million
More than \$100 million but not more than \$200 million	\$1,500,000 + 4% over \$100 million
More than \$200 million	\$5,500,000 + 6% over \$200 million

If it results in a greater tentative tax credit, companies headquartered in an Enterprise Zone, with revenues in excess of \$3 billion, employing more than 2,500 employees, shall multiply their research and development expenses by 3.5% instead of using the tax credit percentage listed above.

**Research and Experimental (Incremental) Expenditures Tax Credit (Conn. Gen. Stat. §12-217j):** A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes for the incremental increase in research and experimental expenditures conducted in Connecticut. Multiply by 20% the excess of the research and experimental expenditures conducted in Connecticut during the current income year over the amount spent on such expenditures during the preceding income year for tax credit amount.

**Service and Manufacturing Facilities Tax Credit (Conn. Gen. Stat. §12-217e):** A tax credit may be applied against the portion of the tax imposed under Chapter 208 of the Connecticut General Statutes that is allocable to a Manufacturing Facility or Service Facility that meets certain employment criteria. The amount of the tax credit varies depending on the location of the facility and the number of employees. This tax credit is administered by the DECD. The tax credit period is 10 years and begins with the first full income year of issuance of the eligibility certificate and continues for the following nine income years. If within the 10 year period the facility ceases to qualify as a Manufacturing Facility or Service Facility or the taxpayer ceases to occupy the property, the entitlement to the tax credit terminates and there is no pro-rata application of the tax credit during the income year in which the entitlement or occupancy terminates. To calculate the tax credit allowed, a Service Facility or Manufacturing Facility shall multiply the applicable tax credit percentage by: 1) the corporation business

tax imposed on the taxpayer, and 2) the arithmetical mean of the property fraction and the wages fraction.

**Urban and Industrial Sites Reinvestment Tax Credit Program:** Created under Public Act 00-170 and later modified by Public Acts: 05-276; 06-184;06-187 and 06-189. This program is a powerful economic development tool designed to drive investment to the state’s urban centers and other economically distressed communities without depleting valuable state bond dollars. Under the program, the state may provide up to \$100 million in tax credits over a 10-year period to support projects that create significant jobs and capital investment in these underserved areas. Total expenditures for the program are capped at \$500 million. The amount of credits offered is based on the department’s extensive due diligence process, which includes a comprehensive financial review and an impact analysis using the REMI econometric model. The commissioner must submit any requests for credits over \$20 million to the legislature for their review.

Source: <https://businessfacilities.com/state-by-state-incentives-guide/>  
<http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=437460>