



Guide to Connecticut Business Tax Credits

State of Connecticut
Department of Revenue Services

Informational Publication

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A Message from the Commissioner:

The Department of Revenue Services (DRS) is pleased to provide **Informational Publication 2007(31), *Guide to Connecticut Business Tax Credits***, as a comprehensive resource for the business community. In addition to describing available tax credits, this publication identifies legislative or policy changes that may impact your business. I believe you will find useful information in these pages.

Another source of information and assistance with business tax credits, forms, or other tax-related information is the DRS website at **www.ct.gov/DRS** and our **Taxpayer Service Center (TSC)**, which is located on the website.

The DRS website allows visitors to download tax forms and publications, and allows users to register for the *DRS E-News*, which provides important tax information, updates, and alerts directly to subscribers' email. The website also contains a frequently asked questions section that provides useful information on a number of tax issues.

The *TSC* enables businesses to electronically file and pay most tax obligations. Users can also maintain business accounts with DRS that allow the payment of tax bills and a review of previous electronically filed returns. I encourage you to explore this new filing option.

For taxpayers without computer access, DRS Taxpayer Services personnel are available to assist taxpayers by phone or in person, Monday through Friday, 8:30 a.m. to 4:30 p.m. Many tax questions can be answered by using the automated phone system anytime. Call 1-800-382-9463 (Connecticut calls outside the Greater Hartford calling area only), or 860-297-5962 (from anywhere).

DRS is dedicated to continually improving the way we do business. Please feel free to contact us with your comments.

Sincerely,

A handwritten signature in cursive script that reads "Pam Law".

Pam Law
Commissioner

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General Information

This guide provides a brief overview of each of the business tax credits that are available. At the back of this guide is a reference chart that provides a list of each available tax credit, the statutory authority for the credit, what taxes the credit may be applied against, and other additional notes.

Tax credits are a matter of legislative grace and are narrowly construed. Thus, careful attention should be paid to determine: 1) who is entitled to earn the credit; 2) whether the credit has an application process that must be followed; 3) the taxes the credit may be applied to; 4) the year in which the tax credit must be claimed; 5) whether the tax credit may be carried forward if not used in the income year in which it is earned; 6) whether the tax credit is assignable; 7) the ordering rules for claiming tax credits; and 8) any limitations on the amount of credits that may be applied to a particular tax.

Credit Summaries

Each section may include the following information:

- Credit Description
- Definition(s)
- Effective Date(s) - newer credits only
- Credit Percentage
- Credit Amount
- How to Compute the Credit
- Credit Carryforward/Carryback Limitations
- How to Apply
- Attachments Required
- Where to Get Additional Information
- Statutory and Regulatory Reference(s)
- Questions and Answers
- Assignment
- How to Claim the Credit

Who is Entitled to Earn the Credit

Most of the tax credit statutes specifically provide who is entitled to earn a tax credit. Pay close attention to who is entitled to earn the tax credit.

In most cases, a tax credit earned by a flow-through entity in which a corporate taxpayer holds an interest

may not be claimed by the corporation. See *Bell Atlantic Nynex Mobile v. Commissioner of Revenue Services*, 273 Conn. 240, 869 A.2d 611 (2005). However, Conn. Gen. Stat. §12-217gg provides an exception if a corporation holds an interest in a flow-through entity that conducts a project that:

- Creates 400 new jobs and otherwise meets the definition of an employment expansion project; **and**
- Is issued an eligibility certificate by the Department of Economic and Community Development (DECD).

Application Process

Some of the tax credits require an application process or pre-certification of eligibility to earn the credit. If a tax credit requires an application, it is noted in the summary of the tax credit.

Taxes to Which Tax Credits May be Applied

Each tax credit statute provides the tax or taxes against which the credit may be applied. In most cases, the tax credit can be earned by all taxpayers subject to the tax under a particular chapter. However, in a few instances, which are noted in both the credit summary and in the reference chart, the tax credit may only be earned by specific taxpayers and applied to a specified tax within a chapter. Below is a list of the chapters to which the tax credits may be applied and the specific taxes that are imposed under each chapter.

- Chapter 207
 - Tax on domestic insurance companies, Conn. Gen. Stat. §12-202;
 - Tax on foreign insurance companies, Conn. Gen. Stat. §12-210;
 - Health care centers tax, Conn. Gen. Stat. §12-202a.
- Chapter 208
 - Corporation business tax.
- Chapter 208a
 - Unrelated business income tax on nonprofit corporations.

- Chapter 209
 - Air carriers tax.
- Chapter 210
 - Gross earnings tax on railroad companies.
- Chapter 211
 - Gross earnings tax on community antenna television systems;
 - Gross earnings tax on certified competitive video service providers.
- Chapter 211b
 - Gross earnings tax on dry cleaning establishments.
- Chapter 212
 - Gross earnings tax on electric distribution companies;
 - Gross earnings tax on local gas distribution companies;
 - Gross earnings tax on natural gas suppliers;
 - Gross earnings tax on municipal gas or electric utilities.
- Conn. Gen Stat. §38a-743
 - Gross premiums tax on surplus lines brokers.

Year in Which the Tax Credit Must be Claimed

Generally, tax credits are claimed in the year in which the expenses triggering the tax credit were incurred or paid, or the year in which the tax credit voucher was issued. Some tax credits are claimed over a period of years.

Carryforward or Carryback of Tax Credits

Many of the tax credits may be carried forward for a period of years if they are not used in the year they are claimed. If a tax credit may be carried forward, the statute specifically provides for carryforward and also specifies the term of years for which the tax credit may be carried forward. The Neighborhood Assistance Tax Credit and the Housing Program Contribution Tax Credit are the only tax credits that may be carried back.

Ordering Rules for Claiming Corporation Business Tax Credits

Conn. Gen. Stat. §12-217aa establishes specific ordering rules for corporations claiming more than one Connecticut corporation business tax credit.

Tax credits must be applied in the following order:

1. Carrybacks expiring first;
2. Current year credits that do not have a carryforward or carryback provision;
3. Any credit carryforward expiring first;
4. Non-expiring credits.

The Financial Institutions Tax Credit must be claimed **before** any other credit allowed against the tax imposed under Chapter 208 of the Connecticut General Statutes. In addition, taxpayers may apply the Electronic Data Processing Equipment Property Tax Credit only after all other allowable tax credits have been applied. If a taxpayer uses the Electronic Data Processing Equipment Property Tax Credit, the taxpayer must first use the credit against the tax imposed under Chapter 208, and then against the taxes imposed under Chapters 207, 208a, 209, 210, 211, or 212.

Refund of Tax Credits

None of the business tax credits are refundable. However, under certain circumstances two of the research and development tax credits may be exchanged with the state for 65% of their value. See the summaries for the Research and Development (Nonincremental) Expenditures Tax Credit and the Research and Experimental (Incremental) Expenditures Tax Credit.

Assignment of Tax Credits

If a tax credit may be assigned, it is noted in the tax credit summary. Unless specifically provided otherwise in the statute, the Department of Revenue Services (DRS) takes the position that the tax credits may only be assigned once. In the case of tax credits that provide for assignment, an assignment may only be made before the tax credit has been claimed (reported) on a tax return. If a tax credit is assigned, the assignee must claim the tax credit in the year in which the business that earned the tax credit would have been eligible to claim the tax credit. If a tax credit that allows for carryforward is assigned, the assignee is entitled to the same carryforward provisions.

Limitation on the Application of Tax Credits

Both Chapters 207 (insurance premiums and health care center taxes) and Chapter 208 (corporation business tax) provide that the amount of tax credits otherwise allowable against the taxes imposed under those chapters for any income year may not exceed 70% of the amount of tax due prior to the application of the tax credits. *Conn. Gen. Stat. §§12-211a and 12-217zz*. There is no such limitation on the application of tax credits to the taxes imposed under any of the other chapters referenced. A taxpayer may elect to which taxes it will apply its credits with the exception of the tax credit for electronic data processing equipment and the tax credit for financial institutions, which provide that those tax credits must be applied first to the corporation business tax.

Claiming the Tax Credits

- Tax credits must be claimed (reported) on the tax return in the initial year the credits may be claimed as provided in the applicable statutory provision;
- For most tax credits, there is a specific form that must be completed to claim the credit. The only tax credits that do not have a specific tax credit form are: Apprenticeship Training Tax Credit in Manufacturing, Plastics, Plastics-Related, or Construction Trades; Computer Donation Tax Credit; Enterprise Zone Tax Credit for Qualifying Corporations; Financial Institutions Tax Credit; and Neighborhood Assistance Program Tax Credit.
- Failure to provide all documentation required by the specific tax credit form may result in a denial of the tax credit.
- In addition to completing any applicable tax credit forms, report the credit amount on **Form CT-1120K**, *Business Tax Credit Summary*.

Effect on Other Documents

Informational Publication 2007(31), *Guide to Connecticut Business Tax Credits*, supersedes **Informational Publication 2006(15)**, *Guide to Connecticut Business Tax Credits*, which may no longer be relied upon on or after the issuance date of this publication.

Effect of This Document

An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information

Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications

Forms and publications are available anytime by:

- **Internet:** Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms; **or**
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or **860-297-4753** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

**Paperless Filing/Payment Methods
(fast, easy, free, and confidential):**

- **For business returns, tax payments, and electronic bill payments:** Use the **Taxpayer Service Center (TSC)** to file a variety of tax returns and extensions, as well as to pay taxes or bills over the Internet. Visit the DRS website at www.ct.gov/DRS and click on the *TSC* logo or on *File/Register OnLine* for a complete list of taxes that can be electronically filed and paid.
- **For income tax returns, extensions, estimated payments, and electronic bill payments:** Use the **Taxpayer Service Center (TSC)** to file personal income tax returns and extensions, or to make estimated payments and electronic bill payments over the Internet. Visit the DRS website at www.ct.gov/DRS and click on the *TSC* logo or on *File/Register OnLine*.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit www.ct.gov/DRS and follow the directions. Subscription services are available for employer’s withholding tax, *TSC-BUS* Online Filing Alerts, News – Press Releases, and Top 100 Delinquency List.

Credit Summaries

Notes

Apprenticeship Training Tax Credit in Manufacturing, Plastics, Plastics-Related, or Construction Trades

Description

A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes by corporations that employ apprentices who are receiving training in the manufacturing, plastics, plastics-related, or construction trades. Wages of pre-apprentices are not eligible for this tax credit.

Manufacturing Trades

Corporations claiming this tax credit must have a qualified apprenticeship training program that is:

- Certified in accordance with regulations adopted by the Commissioner of the Connecticut Department of Labor (CTDOL); **and**
- Registered with the Connecticut State Apprenticeship Council established under Conn. Gen. Stat. §31-22n.

Examples of trades eligible for this tax credit include:

- Machinist;
- Toolmaker;
- Tool and Diemaker;
- Tool and Machine Setter; **and**
- Machine Tool Repairer.

Plastics and Plastics-Related Trades

Corporations claiming this tax credit must have a qualified apprenticeship training program that is:

- Certified in accordance with regulations adopted by the Commissioner of CTDOL; **and**
- Registered with the Connecticut State Apprenticeship Council established under Conn. Gen. Stat. §31-22n.

Most apprenticeship programs in the plastics and plastics-related trades qualify for the tax credit available for the manufacturing trades because there is some overlap between the two trades.

Construction Trades

Corporations claiming this tax credit must have a registered apprenticeship training program that is:

- At least four years in duration;
- Certified in accordance with regulations adopted by the Commissioner of CTDOL; **and**
- Registered with the Connecticut State Apprenticeship Council established under Conn. Gen. Stat. §31-22n.

Definitions

Apprentice means a person training under a written agreement which provides specific terms of apprenticeship and employment including but not limited to wage progression; specific hours of job training processes; hours and courses of school instruction which satisfactory completion thereof provides recognition as a qualified professional, technical, craft, or trade worker.

Qualifying apprenticeship training program means a program that meets the following requirements:

- The apprenticeship period must be at least 4,000 hours (two years) but not more than 8,000 hours (four years); **and**
- Each apprentice must be employed on a full-time basis, which is defined as working a minimum of 120 hours per month.

Credit Amount

Manufacturing, Plastics, and Plastics-Related Trades

The tax credit allowed per apprentice shall be the lesser of:

- \$4 per hour multiplied by the total number of: (1) hours worked by the apprentice during the first half of a two-year qualifying apprenticeship training program, or (2) hours worked by the apprentice during the first three-quarters of a four-year qualifying apprenticeship training program;
- 50% of the total wages paid to the apprentice during the: (1) first half of a two-year qualifying apprenticeship training program, or (2) first three-quarters of a four-year qualifying apprenticeship training program; **or**
- \$4,800.

Construction Trades

The tax credit allowed per apprentice shall be the lesser of:

- \$2 per hour multiplied by the total number of hours worked by the apprentice during a four-year qualifying apprenticeship training program;
- 50% of the total wages paid to the apprentice during a four-year qualifying apprenticeship training program; **or**
- \$4,000.

How to Apply

Contact CTDOL at 860-263-6085 or go to **www.ctapprenticeship.com** for information regarding the application process.

How to Claim the Credit

CTDOL will compute the tax credit and issue a Corporate Tax Credit Certification letter to the taxpayer. The amount listed on the Corporate Tax Credit Certification letter should be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

Where to Get Additional Information

Direct inquires to:

*Connecticut Department of Labor
Office of Apprenticeship Training
200 Folly Brook Blvd.*

*Wethersfield CT 06109
860-263-6085*

www.ctapprenticeship.com

References

Conn. Gen. Stat. §§12-217g and 31-22n; Conn. Agencies Regs. §§12-217g-1 through 12-217g-10

Clean Alternative Fuel Tax Credit (10% and 50%) for Vehicles, Equipment, and Related Filling or Recharging Stations

This tax credit is not available for income years beginning on or after January 1, 2008.

Description

10% Credit

A tax credit may be applied against the taxes imposed under Chapters 208, 209, 210, 211, or 212 of the Connecticut General Statutes in an amount equal to 10% of the expenditures paid or incurred for the **incremental cost** of purchasing a vehicle that is exclusively powered by a **clean alternative fuel**.

50% Credit

A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes in an amount equal to 50% of the expenditures paid or incurred for **any** of the following:

- The construction of any filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas, or liquefied natural gas;
- The purchase and installation of conversion equipment incorporated into or used in converting vehicles powered by any other fuel to either exclusive use of clean alternative fuel or dual use of such other fuel and a clean alternative fuel, including but not limited to storage cylinders, cylinder brackets, regulated mixers, fill valves, pressure regulators, solenoid valves, fuel gauges, electronic ignitions, and alternative fuel delivery lines, if such converted vehicles, after conversion, meet generally accepted standards, including but not limited to the standards set by the American Gas Association, the National Fire Protection Association, the American National Standards Institute, the American Society of Testing Materials, or the American Society of Mechanical Engineers; **or**
- The purchase and installation of equipment incorporated into or used in a compressed natural

gas, liquefied petroleum gas or liquefied natural gas filling station, or electric recharging station for vehicles powered by clean alternative fuel, including but not limited to compressors, storage cylinders, associated framing, tubing and fittings, valves and fuel poles, and fuel delivery lines.

Definitions

Incremental cost means the difference between the purchase price of a vehicle that is exclusively powered by a clean alternative fuel and the manufacturer's suggested retail price of a comparably equipped vehicle that is not powered by a clean alternative fuel.

Clean alternative fuel means compressed natural gas, liquefied petroleum gas, liquefied natural gas, or electricity when used as a motor vehicle fuel.

How to Compute the Credit

Calculate the credit by multiplying all qualifying expenses for alternative fuel vehicles and related equipment by the appropriate percentage.

Carryforward/Carryback Limitations

Any unused credit balance may be carried forward in any of three succeeding income years. No carryback is allowed.

How to Apply

Complete **Form CT-1120 CAF**, *Clean Alternative Fuel - Vehicles, Equipment, and Related Filling or Recharging Stations Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106
1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)
www.ct.gov/DRS*

References

Conn. Gen. Stat. §12-217i

Notes

Computer Donation Tax Credit

Description

A tax credit may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes for the donation of new or used computers to a local or regional board of education or a public or nonpublic school. The used computers may not be more than two years old at the time of donation.

The amount of the tax credit granted to any business firm shall not exceed \$75,000 annually.

How to Apply

The business firm must submit **Form CT-CDC**, *Computer Donation Credit Application*, to the Department of Revenue Services (DRS). Along with the application, the business firm must provide a copy of the written agreement between the business firm and the local or regional board of education or public or nonpublic school. The written agreement will provide for the acceptance of the computers by the board of education or public or nonpublic school, an acknowledgment that the computers are in good working condition, and a requirement that the business firm install, set up, and provide training to school staff on these computers.

The Commissioner of DRS will review each application and within 30 days following its receipt, approve or disapprove the application in writing.

Submit Form CT-CDC to:

*Department of Revenue Services
Research Unit
25 Sigourney Street
Hartford CT 06106*

Credit Percentage

The amount of the tax credit must not exceed 50% of the fair market value of the new or used computers at the time of donation.

How to Claim the Credit

Report the credit amount on **Form CT-1120K**, *Business Tax Credit Summary*.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

Where to Get Additional Information

Direct inquiries to the above address or contact DRS Research Unit at 860-297-5691. Inquiries may also be submitted to the DRS website at www.ct.gov/DRS

References

Conn. Gen. Stat. §10-228b

Notes

Displaced Worker Tax Credits

Description

There are two distinct tax credits available for displaced workers:

- **Displaced Electric Worker Credit**

A credit against the tax imposed under Chapter 208 of the Connecticut General Statutes is available to any **electric supplier** in Connecticut, other than a generation entity or affiliate of an electric company, that hires a **displaced electric worker** for a minimum period of six months of full-time employment.

Conn. Gen. Stat. §12-217bb

- **Displaced Worker Credit**

A credit against the tax imposed under sections 12-202 or 12-210 of Chapter 207, and Chapters 208 and 212 of the Connecticut General Statutes is available for each **displaced worker** hired by an employer.

Conn. Gen. Stat. §12-217hh

Definitions

An **electric supplier** means a facility that provides electric generation services as defined in Conn. Gen. Stat. §16-1.

A **displaced electric worker** means any Connecticut employee, other than an officer or a director, of an electric company, as defined in Conn. Gen. Stat. §16-1, or a generation entity or affiliate, who has been terminated as a direct result of the restructuring of the electric industry.

A **displaced worker** is defined as any person employed in Connecticut whose position was terminated because of a business restructuring in which at least ten employees were terminated and whose new salary is at least 75% of their previous annual wages or salary. It does not include any person whose former employer is or was at the time of termination a “related person” with respect to the taxpayer.

Credit Amount

Displaced Electric Worker Credit

The credit amount available to each electric supplier is \$1,500 for each displaced electric worker that is hired. The credit is allowed in the income year in which the displaced electric worker first completes six full months of full-time employment.

Electric suppliers can only claim tax credits once for each displaced worker that is hired.

Displaced Worker Credit

The credit amount available for each displaced worker hired by an employer on or after January 1, 2006, is \$1,500. The credit is allowed for the income year during which the displaced worker first completes 12 full months of full-time employment.

The tax credit may only be taken once with respect to any displaced worker, and no taxpayer may claim this tax credit and the displaced electric worker tax credit for the same displaced worker.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120 DWC**, *Displaced Worker Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §§12-217bb and 16-1; Conn. Gen. Stat. §12-217hh

Notes

Donation of Land Tax Credits

Description

Two tax credits are available for the donation of land:

- A credit for the **donation of open space land; and**
- A credit for the **donation of land for educational use.**

Both tax credits are equal to 50% of the value of any donated land and both credits may be applied against the tax imposed under section 12-217 of the Connecticut General Statutes.

Definitions

Donation of open space land means the value of any land conveyed without financial consideration, or the value of any discount of the sale price in any sale of land or any interest in land, to the state, a political subdivision of the state, or a nonprofit land conservation organization, where the land is to be permanently preserved as protected open space or used as a public water supply source.

Donation of land for educational use means the value of any land or interest in land conveyed without financial consideration, or the value of any discount of the sale price in any sale of land or interest in land, to any town, city, or borough, whether consolidated or unconsolidated, and any school district or regional school district for the purposes of schools and related facilities.

Use value means the fair market value of land at its highest and best use, as determined by a certified real estate appraiser.

Credit Percentage

The tax credit amount available is equal to 50% of any donation of open space land or 50% of any donation of land for educational use.

Carryforward/Carryback Limitations

The tax credit for the donation of open space land may be carried forward for a period of 15 successive income years until the credit is fully taken. No carryback is allowed.

The tax credit for the donation of land for educational use may be carried forward for a period of 15 successive income years until the credit is fully taken. No carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120DL**, *Donation of Land Tax Credits*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §§12-217dd and 12-217ff

Notes

Electronic Data Processing Equipment Property Tax Credit

Description

A tax credit equal to 100% of the personal property tax owed and paid on **electronic data processing (EDP) equipment** during any income year may be applied against the taxes imposed under Chapters 207, 208, 208a, 209, 210, 211, or 212 of the Connecticut General Statutes.

If the EDP equipment is leased, the lessee will be entitled to claim this credit if the lease by its terms or operation imposes on the lessee the cost of the personal property taxes on such equipment. However, the lessor and lessee may elect in writing that the lessor may claim the credit. The lessor will provide a copy of the written election upon the request of the Commissioner of the Department of Revenue Services (DRS).

Definition

Electronic data processing equipment means computers, printers, peripheral computer equipment, bundled software, and any computer-based equipment acting as a computer, as defined under section 168 of the Internal Revenue Code of 1986, and any other equipment reported as Code 20 property on the Personal Property Declaration as prescribed by the Secretary of the Office of Policy and Management.

Credit Percentage

The amount allowed as a tax credit is 100% of the Connecticut personal property tax owed and paid in any income year on EDP equipment. Such amount shall not include any interest or penalty paid.

Rules Relating to Ordering

Taxpayers shall be allowed this tax credit only after all other allowable tax credits have been applied. If the taxpayer uses this credit, the credit must first be used against the tax imposed under Chapter 208, and then against the taxes imposed under Chapters 207, 208a, 209, 210, 211, or 212 of the Connecticut General Statutes.

Combined Return Filers

If a taxpayer is filing **Form CT-1120CR**, *Combined Corporation Business Tax Return*, this credit will be allowed on a combined basis so that the EDP equipment property tax credits of each company will be combined and allowed against the combined tax liability of the members included in the combined return.

Credits of taxpayers which are only subject to the tax imposed under Chapter 208 must be used prior to credits of companies included in the combined return which are also subject to tax under Chapters 207, 208a, 209, 210, 211, or 212, of the Connecticut General Statutes.

Carryforward/Carryback Limitations

If the amount of tax credit allowable in any income year exceeds the taxes imposed under Chapters 207, 208, 208a, 209, 210, 211, or 212 of the Connecticut General Statutes, then any unused tax credit balance may be carried forward to any of the five succeeding income years. No carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120 EDPC**, *Electronic Data Processing Equipment Property Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §12-217t

Notes

Employer-Assisted Housing Tax Credit

This tax credit was repealed effective June 7, 2006.

Description

The Employer-Assisted Housing Tax Credit was formerly allowed against the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes. Business firms received tax credits equal to the amount contributed into a revolving loan fund established to provide loans for housing in Connecticut for low and moderate income employees of the business firm or any subsidiary of the business firm.

Tax credits earned before the credit was repealed may be carried forward or back for five succeeding or preceding income years.

Recapture Provisions

Any business firm that does not loan at least 60% of the fund's capital within three years after the date the revolving loan fund is established will be required to recapture some or all of the previous tax credits claimed. The Connecticut Housing Finance Authority (CHFA) notifies the business firm and the Department of Revenue Services that recapture is required, and the business firm must recapture the tax credit on the first tax return required to be filed on or after the date of the CHFA notice.

How to Claim the Credit

Complete **Form CT-1120 EAH**, *Employer-Assisted Housing Credit*, to claim any carryforward, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Connecticut Housing Finance Authority
Employer Assisted Housing Tax Credit Unit
999 West Street*

Rocky Hill CT 06067-4005

860-721-9501, Ext. 362

www.chfa.org

References

Conn. Gen. Stat. §12-217p

Notes

Film Production Infrastructure Tax Credit

Description

A tax credit is available to any taxpayer that invests in a state-certified entertainment infrastructure project. This tax credit is administered by the Connecticut Commission on Culture and Tourism (CCT). Any entity interested in obtaining this tax credit must apply to CCT.

This tax credit may be applied to the taxes imposed under Chapter 207 and Chapter 208 of the Connecticut General Statutes.

Definitions

Infrastructure project means a capital project to provide basic buildings, facilities, or installations needed for the functioning of the digital media and motion picture industry in this state.

State-certified project means an infrastructure project undertaken in this state by an entity that: (A) is in compliance with the adopted regulations, (B) is authorized to conduct business in this state, (C) is not in default on a loan made by the state or a loan guaranteed by the state, nor has ever declared bankruptcy under which an obligation of the entity to pay or repay public funds was discharged as a part of such bankruptcy, and (D) has been approved by CCT as qualifying for the Infrastructure Project Tax Credit.

Eligible expenditures includes all expenditures for a capital project to provide buildings, facilities, or installations, whether leased or purchased, together with necessary equipment for a film, video, television, digital production facility or digital animation production facility; project development, including design, professional consulting fees and transaction costs; development, preproduction, production, post-production and distribution equipment and system access; and fixtures and other equipment.

Production expenses and costs means all expenditures clearly and demonstrably incurred in the state in the development, preproduction, production, or post production cost of a qualified production.

Credit Percentage

For state-certified infrastructure projects costing greater than \$15,000 and less than \$150,000, each taxpayer may be allowed a tax credit equal to 10% of the investment of the taxpayer. For state-certified projects costing \$150,000 or more, but less than \$1 million, each taxpayer may be allowed a tax credit equal to 15% of the investment of the taxpayer. For state-certified projects costing \$1 million or more, each taxpayer may be allowed a tax credit equal to 20% of the investment of the taxpayer.

How to Apply

An entity undertaking an infrastructure project shall apply to CCT for an eligibility certificate not later than 90 days after the first expenses or costs are incurred. If CCT determines that the project is eligible to be a state-certified project, CCT shall issue a tax credit certification letter indicating the amount of the available tax credit. Visit CCT's website at www.cultureandtourism.org for information regarding the application process.

Tax Credit Voucher

CCT requires an independent audit by a licensed Connecticut Certified Public Accountant of all project costs and expenditures prior to issuance of the tax credit voucher. No tax credit voucher may be issued prior to such time as such state-certified project is shown to be not less than 60% complete.

Assignment

After the initial issuance of a tax credit voucher, such credit may be sold, assigned, or otherwise transferred, in whole or in part, to one or more taxpayers, provided no credit, after issuance, may be sold, assigned, or otherwise transferred, in whole or in part, more than three times. In the event of an assignment, the transferor and the transferee shall jointly submit written notice of such transfer to CCT not later than 30 days after such transfer. The notification after each transfer shall include the credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and transferee, and such other information as CCT may require.

Any taxpayer holding such credit voucher must claim the credit only for the income year in which expenditures were made by the taxpayer for the infrastructure project.

How to Claim the Credit

Complete **Form CT-1120 FPI**, *Film Production Infrastructure Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*. The tax credit amount that may be claimed is the amount listed on the voucher.

Carryforward/Carryback Limitations

Any tax credit not used in the income year in which it is claimed may be carried forward for three succeeding income years. No carryback is allowed. An assignee of the infrastructure tax credit is allowed to carryforward any unused tax credit as provided in the statute.

Where to Get Additional Information

Direct inquiries regarding the availability of the infrastructure project tax credit to:

*Connecticut Commission
on Culture and Tourism
Film Division
One Constitution Plaza, 2nd Floor
Hartford CT 06103
860-256-2800
www.cultureandtourism.org*

References

Conn. Gen. Stat. §12-217kk; (2007 Conn. Pub. Acts 236, §2)

Film Production Tax Credit

Description

The Film Production Tax Credit is administered by the Connecticut Commission on Culture and Tourism (CCT). Any **eligible production company** which produces a **qualified production** and incurs qualified **production expenses or costs** in excess of \$50,000 may apply for a tax credit equal to 30% of **production expenses and costs** incurred in Connecticut.

This credit may be applied against the taxes imposed under Chapter 207 and Chapter 208 of the Connecticut General Statutes. This tax credit may be assigned.

Definitions

Eligible production company means a corporation, partnership, limited liability company, or other business entity that is engaged in the business of producing qualified productions on a one-time or ongoing basis, and is qualified by the Secretary of the State to engage in business in the state.

Qualified Production means entertainment content created in whole or in part within the state, including motion pictures; documentaries; long-form, specials, mini-series, series, sound recordings, videos and music videos, and interstitials television programming; interactive television; interactive games; video games; commercials; infomercials; any format of digital media, including an interactive website, created for distribution or exhibition to the general public; and any trailer, pilot, video teaser, or demo created primarily to stimulate the sale, marketing, promotion, or exploitation of future investment in either a product or a qualified production via any means and media in any digital media format, film, or videotape, provided such program meets all the underlying criteria of a qualified production.

Production expenses and costs means those qualifying expenditures that are clearly and demonstrably incurred in the state in the development, preproduction, production, or post production cost of a qualified production, provided that: 1) on or after January 1, 2009, 50% of such expenses or costs shall be counted toward such credit when incurred outside the state and used

within the state, and 100% of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state, and 2) on or after January 1, 2012, no expenses or costs incurred outside the state and used within the state shall be eligible for a credit, and 100% of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state.

Credit Percentage

The tax credit is equal to 30% of qualified production expenses and costs incurred in Connecticut. Expenses claimed for the film production tax credit may not also be used in claiming either the digital animation tax credit or the infrastructure tax credit.

How to Apply

- An eligible production company must submit an eligibility application to CCT on an annual basis, but no later than 90 days following a qualified production's first eligible expenditure.
- An eligible production company may apply for an interim tax credit voucher no earlier than 90 days after the filing of the eligibility application.
- An eligible production company must file a final tax credit voucher application within 90 days of the end of the company's annual fiscal period or 90 days of the last qualified production expense.

Tax Credit Voucher

CCT requires that an independent audit by a licensed Connecticut Certified Public Accountant accompany applications for both interim tax credit vouchers and final tax credit vouchers. CCT will enter the amount of the company's credit on such voucher. Visit CCT's website at www.cultureandtourism.org for additional information regarding the application process.

Assignment

Any credit allowed may be sold, assigned, or otherwise transferred, in whole or in part, to one or more taxpayers, provided no credit, after issuance, may be sold, assigned, or otherwise transferred, in whole or in part, more than three times. In the event of an assignment, the transferor and the transferee shall jointly submit written notice of such transfer to CCT not later than 30 days after such transfer. The notification after each transfer shall include the credit voucher number, the date of

transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and transferee, and such other information as CCT may require.

A taxpayer who receives the tax credit by assignment must claim the credit only for an income year in which the eligible production company would have been eligible to claim the credit.

How to Claim the Credit

Complete **Form CT-1120FP**, *Film Production Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*. The tax credit amount that may be claimed is the amount listed on the voucher. The tax credit must be claimed for the income year in which the expenses are incurred.

Carryforward/Carryback Limitations

Any tax credit not used in the income year in which it is claimed may be carried forward for three succeeding income years. No carryback is allowed. An assignee of the tax credit is entitled to carryforward any unused film production credits as provided in the statute.

Where to Get Additional Information

Direct inquiries regarding the availability of the credit to:

*Connecticut Commission
on Culture and Tourism
Film Division
One Constitution Plaza, 2nd Floor
Hartford CT 06103*

860-256-2800

www.cultureandtourism.org

References

Conn. Gen. Stat. §12-217jj, as amended by 2007 Conn. Pub. Acts 236, §1; 2007 Conn. Pub. Acts, §§69, 70 (June Spec. Sess.); and 2007 Conn. Pub. Acts 5, §13 (June Spec. Sess.)

Digital Animation Tax Credit

Description

A Digital Animation Tax Credit is 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 Commission on Culture and Tourism (CCT). Any **digital animation production company** interested in obtaining this tax credit must apply to CCT.

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.

Definitions

Digital animation production company means a corporation, partnership, limited liability company, or other business entity that is engaged exclusively in digital animation production activity on an ongoing basis, and that is qualified by the Secretary of the State to engage in business in the state.

State-certified digital animation production company means a digital animation production company that: (A) maintains studio facilities located within the state at which digital animation production activities are conducted, (B) employs at least two hundred full-time employees within the state, (C) is in compliance with regulations adopted, and (D) has been certified by CCT.

Digital animation production activity means the creation, development, and production of computer-generated animation content for distribution or exhibition to the general public.

Full-time employee means an employee required to work at least 35 hours or more per week, and who is not a temporary or seasonal employee.

Production expenses or costs means all expenditures clearly and demonstrably incurred in the state in the development, preproduction, production or postproduction costs of a digital animation production activity. The statute enumerates those types of expenses

that qualify and certain types of expenses that are specifically excluded.

Credit Percentage

For income years beginning on or after January 1, 2007, any state-certified animation production company incurring production expenses or costs in excess of \$50,000 shall be eligible for a tax credit equal to 30% of such production expenses or costs.

How to Apply

A digital animation production company must apply to CCT for state certification. Visit CCT's website at www.cultureandtourism.org for information regarding the application process.

Tax Credit Voucher

Any state-certified digital animation production company may apply to CCT not more frequently than twice during the income year for a digital animation tax credit voucher. There shall be independent certification by a licensed Connecticut Certified Public Accountant (CPA) of the production expenses or costs incurred during the period for which the voucher is issued. The voucher will list the amount of the available tax credit.

Assignment

After the initial issuance of a tax credit, such credit may be sold, assigned, or otherwise transferred, in whole or in part, to one or more taxpayers provided no credit, after issuance, may be sold, assigned or otherwise transferred, in whole or in part, more than three times. In the event of an assignment, the transferor and the transferee shall jointly submit written notice of such transfer to CCT not later than 30 days after such transfer. The notification that is provided to CCT after each transfer shall include the credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and transferee, and such other information as CCT may require.

A taxpayer who receives the credit by assignment must claim the credit only for an income year in which the production expenses or costs were incurred.

How to Claim the Credit

Complete **Form CT-1120DA**, *Digital Animation Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*. The tax credit amount that may be claimed is the amount listed on the voucher.

Carryforward/Carryback Limitations

Any tax credit not used in the income year in which it is claimed may be carried forward for three succeeding income years. No carry back is allowed. An assignee of the tax credit is allowed to carryforward any unused tax credit as provided in the statute.

Where to Get Additional Information

Direct inquiries regarding the availability of the digital animation tax credit to:

*Connecticut Commission
on Culture and Tourism
Film Division
One Constitution Plaza, 2nd Floor
Hartford CT 06103
860-256-2200*

www.cultureandtourism.org

References

Conn. Gen. Stat. §12-2171l (2007 Conn. Pub. Acts 236, §3, as amended by 2007 Conn. Pub. Acts 4, §71 (June Spec. Sess.))

Financial Institutions Tax Credit

Description

A tax credit that may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes is granted to **financial institutions** that build and occupy a facility located in Connecticut of at least 900,000 square feet, and create and maintain an average of 1,200 to 2,000 **qualified employees** in Connecticut. The credit is allowed for ten consecutive years, but this period may be extended for an additional five years if the taxpayer employs an average of at least 3,000 employees in the income year following the ten year period. The credit is allowed for a maximum of 15 consecutive years.

Depending upon the number of **qualified employees** employed by the financial institution, the amount of the credit allowed to an eligible financial institution varies from 30% to 50% of its corporation business tax liability. The aggregate credit is limited to between \$72 million and \$120 million over the ten-year period for which it is claimed. If the credit is taken for the additional five-year period, the amount of the credit allowed to an eligible financial institution for years 11 through 15 is 25% of its corporation business tax liability, and the total aggregate credit is limited to \$145 million over the 15-year period.

The Financial Institutions Tax Credit may be claimed against the tax of the combined group in the case of a financial institution included on a **Form CT-1120CR, Combined Corporation Business Tax Return**.

The Financial Institutions Tax Credit must be claimed prior to any other tax credits allowed against the tax imposed under Chapter 208 of the Connecticut General Statutes. A taxpayer claiming this credit is **not eligible** to claim the Fixed Capital Investment Tax Credit.

Requirements

As described below, a financial institution is entitled to the Financial Institutions Tax Credit if it satisfies **certain** requirements during the initial qualified year and subsequent qualified years.

Initial Qualified Year (Year 1)

A financial institution is entitled to the credit if, during the initial qualified year, it:

- Constructs a new facility in Connecticut of at least 900,000 gross square feet for the exclusive purpose of carrying on the business of a financial institution;
- Obtains a temporary or permanent certificate of occupancy for such facility;
- Employs during the income year for which the credit is claimed an average of at least 1,200 to 2,000 **qualified employees**. See *Credit Percentage*, Page 32; **and**
- Obtains an initial Certificate of Eligibility from the Commissioner of the Department of Economic and Community Development (DECD).

In the case of a taxpayer receiving financial assistance under Conn. Gen. Stat. §32-236, the initial qualifying year is the year in which DECD executes an agreement to provide financial assistance.

Subsequent Qualified Years (Years 2 through 10)

A financial institution will continue to be entitled to the credit if, during the subsequent qualified years, it:

- Continues to employ during the income years for which the credit will be claimed an average of 1,200 to 2,000 **qualified employees**. See *Credit Percentage*, Page 32; **and**
- Obtains an annual eligibility certificate from the Commissioner of DECD.

Additional Qualified Years (Years 11 through 15)

A financial institution may claim a tax credit in years 11 through 15 if it:

- Employs an average of at least 3,000 **qualified employees** in each of years 11 through 15; **and**
- Has been issued a certificate by the Commissioner of DECD.

Definitions

For purposes of this tax credit, the following definitions apply:

A *financial institution* is:

- Any bank, holding company, or out-of-state bank, and any out-of-state holding company; **or**
- Any establishment described in major group 61 or 62 in the *Standard Industrial Classification (SIC) Manual, 1987*, or in Subsector 522 or 523 in

the *North American Industry Classification System* (NAICS), *United States*, 1997, engaged primarily in the extending of credit in the form of loans or the underwriting, purchase, sale, or brokerage of securities and other financial contracts on its own account or for the account of others, and exchanges, exchange clearinghouses, and other services allied with the exchange of securities and commodities or a holding company controlling any such establishment.

A **qualified employee** is an individual whose **compensation is paid within this state** and is either:

- Employed directly by the financial institution or a **related person** and works an average of at least 35 hours per week for at least eight consecutive weeks; **or**
- An independent contractor of the financial institution or of a **related person** and works an average of at least 35 hours per week for at least eight consecutive weeks for the financial institution or the related person;

OR

- An employee or principal of a company other than the financial institution or a **related person** if:
 - The individual works an average of at least 35 hours per week for at least eight consecutive weeks providing services to the financial institution or a related person; **and**
 - The company derives at least 80% of its gross revenues from the financial institution, from one or more related persons, or from a combination.

However, this general definition is subject to several limitations. For example, a qualified employee does **not** include an individual who would have satisfied the criteria of a qualified employee before the Commissioner of DECD approved the financial institution’s proposal to create new positions in Connecticut.

Compensation is paid within this state if the individual's service is performed:

- Entirely within the state; **or**
- Both within and outside the state, but the service performed outside the state is incidental to the individual’s service within the state.

Special rules apply to determining the number of qualified employees with respect to any taxpayer who has received financial assistance under Conn. Gen. Stat. §32-236.

A **related person** means a corporation, limited liability company, partnership, trust, association, unincorporated organization, or similar organization that is controlled by the financial institution.

With respect to a corporation, **control** means ownership of stock possessing at least 50% of the total combined voting power of all classes of stock entitled to vote. With respect to a partnership, association, or similar unincorporated organization, **control** means ownership of at least 50% of the capital or profits interest in such partnership or association. With respect to a trust, **control** means ownership of at least 50% of the beneficial interest in the principal or income of such trust. Ownership is determined as provided in section 267(c) of the Internal Revenue Code of 1986, as in effect on October 14, 1994, other than paragraph (3) of that section.

The **average number of qualified employees** is the sum of the average of the number of qualified employees:

- Reported on federal Form 941, Employer's Quarterly Federal Tax Return, of the financial institution or a related person;
- Who are included on the quarterly reports required to be submitted to the Commissioner of DECD; **and**
- Reported on federal Form 941, Employer's Quarterly Federal Tax Return of the company.

Credit Percentage

For years one through ten, the amount of the tax credit allowed to an eligible financial institution varies from 30% to 50%, depending upon the number of qualified employees employed by the corporation as indicated below:

Average Number of Qualified Employees Employed During the Year	Percentage of Corporation Business Tax That May be Taken as a Credit	Maximum Aggregate Amount of Credit That May be Taken Over Ten Year Period
1,200 – 1,599	30%	\$72 million
1,600 – 1,999	40%	\$96 million
2,000 or more	50%	\$120 million

Additional Five-Year Period

If the financial institution satisfies the requirements for the additional five-year credit period by employing an average of 3,000 or more qualified employees, then it is eligible for a 25% tax credit for years 11 through 15. The aggregate amount of credit over the 15-year period may not exceed \$145 million.

Rules Relating to Ordering

The credit must be taken prior to any other tax credits allowed against the tax imposed under Chapter 208 of the Connecticut General Statutes.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

How to Apply

A financial institution that intends to build and occupy a facility located in Connecticut of at least 900,000 square feet and to create and maintain new jobs in Connecticut should submit a proposal to the Commissioner of DECD. The Commissioner of DECD, in consultation with the Commissioner of the Department of Banking, and the Commissioner of the Department of Revenue Services (DRS), determines whether the applicant is eligible for the tax credit. If the proposals approved, the Commissioner of DECD will issue an eligibility certificate to the financial institution.

How to Claim the Credit

Enter the available tax credit on **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Economic
and Community Development
Managing Director, Business Recruitment
Division
505 Hudson Street
Hartford CT 06106
860-270-8045
www.ct.gov/ecd*

References

Conn. Gen. Stat. §§12-217u, 36a-2, and 36a-410; 26 U.S.C. §§267(c) and 6041

Notes

Fixed Capital Investment Tax Credit

Description

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.

Definitions

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**.

Related person means a corporation, partnership, association, or trust controlled by the corporation; an individual, corporation, partnership, association, or trust that is in control of the corporation; a corporation, partnership, association, or trust controlled by an individual, corporation, partnership, association, or trust that is in control of the corporation; or a member of the same controlled group as the corporation.

With respect to a corporation, **control** means ownership, directly or indirectly, of stock possessing 50% or more of the total combined voting power of all classes of the stock of the corporation entitled to vote; with respect to a trust, **control** means ownership, directly or indirectly, of 50% or more of the beneficial interest in the principal or income of the trust. Ownership is determined as provided in section 267(c) of the Internal Revenue Code of 1986, or any subsequent

corresponding Internal Revenue Code of the United States, as from time to time amended, other than paragraph (3) of that section.

Mobile transportation property is any transport equipment designed to move or convey people or property from one place to another, including but not limited to:

- Trucks;
- Buses;
- Forklifts;
- Snowplows; **or**
- Certain construction equipment such as backhoes, bulldozers, cement mixers, and loaders.

Credit Percentage

The credit percentage is 5% of the amount paid or incurred by a corporation for any new fixed capital investment.

Carryforward/Carryback Limitations

Any tax credit not used during the income year in which the acquisition was made may be carried forward to the next five succeeding income years until the entire credit is used. No carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120 FCIC**, *Fixed Capital Investment Tax Credit*, and attach it along with any required detailed schedules to **Form CT-1120K**, *Business Tax Credit Summary*.

Recapture Provisions

- If the fixed capital on account of which a corporation claimed the credit is not held and used in Connecticut in the ordinary course of the corporation's trade or business in Connecticut for three full years following its acquisition, the corporation will be required to recapture 100% of the amount of the credit allowed on its corporation business tax return required to be filed for the income year immediately succeeding the income year during which the three-year period expires.
- If the fixed capital on account of which a corporation claimed the credit is not held and used in Connecticut in the ordinary course of the corporation's trade or business in Connecticut for five full years following its acquisition, the corporation will be required to recapture 50% of the amount of

the credit allowed on its corporation business tax return required to be filed for the income year immediately succeeding the income year during which the five-year period expires.

- The recapture provisions do not apply if the property that is the subject of the tax credit is replaced.
- If the recapture amount is not paid when due, it will accrue interest at 1% per month or fraction of a month from the due date to the date of payment.

Additional Provision

Corporations claiming expenditures for the Fixed Capital Investment Tax Credit cannot claim or use the same expenditures against any other corporation business tax credit.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §12-217w

Hiring Incentive Tax Credit

Description

A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes by **business firms** that hire recipients of Temporary Family Assistance (TFA).

Definitions

A *qualifying employee* is any employee who:

- Is employed not less than 30 hours per week by the same business firm;
- At the time of being hired is, and has been receiving benefits from the TFA program for more than nine months; **and**
- Meets other requirements that the Commissioner of the Connecticut Department of Labor (CTDOL) may establish in regulations.

Business firm means any business entity authorized to do business in Connecticut and subject to the corporation business tax.

Eligibility Requirements

In order to qualify for this program, a business firm must:

- Submit an application to the Commissioner of CTDOL on or after July 1 but not later than December 31;
- Receive reservation approval to hire an eligible TFA recipient by December 31; **and**
- Employ a qualifying TFA recipient for a minimum of 30 hours per week for a full calendar month.

Credit Amount

A business firm may claim a tax credit on its tax return for the income year during which a **qualifying employee** was employed, in the amount of \$125 for each full month that the employee was employed.

No tax credit will be allowed, with respect to wages paid to any qualifying employee, to any business firm that has previously been granted a tax credit with respect to wages paid to the same employee.

How to Compute the Credit

Calculate the tax credit on **Form CT-1120 HIC, Hiring Incentive Tax Credit**, by multiplying the number of complete calendar months worked by a qualifying employee during the income year by \$125. The credit amount reported on Form CT-1120 HIC must be entered on **Form CT-1120K, Business Tax Credit Summary**.

Carryforward/Carryback Limitations

Any unused credit balance can be carried forward and applied to five successive income years. No carryback is allowed.

Where to Get Additional Information

Direct inquiries to:

*Connecticut Department of Labor
Program Support Tax Credit Unit
200 Folly Brook Blvd.
Wethersfield CT 06109-1114*

References

Conn. Gen. Stat. §12-217y

Notes

Historic Homes Rehabilitation Tax Credit

Description

A tax credit administered by the Connecticut Commission on Culture and Tourism (CCT) is available to **owners** rehabilitating an **historic home** or taxpayers making contributions to **qualified rehabilitation expenditures**. The tax credit may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

Definitions

Owner means any taxpayer filing a State of Connecticut tax return who possesses title to an **historic home** or prospective title to an **historic home** in the form of a purchase agreement or option to purchase, or a nonprofit corporation that possesses the title or prospective title.

Historic home means a building that:

- Will contain one to four dwelling units of which at least one unit will be occupied as the principal residence of the owner for not less than five years following the completion of rehabilitation work;
- Is located in a **targeted area**; **and**
- Is listed individually on the National or State Register of Historic Places, or located in a district listed on the National or State Register of Historic Places, and has been certified by CCT as contributing to the historic character of the district.

Qualified rehabilitation expenditures means any costs incurred for the physical construction involved in the rehabilitation of an historic home, but excludes:

- The owner's personal labor;
- The cost of site improvements, unless to provide building access to persons with disabilities;
- The cost of a new addition, except as may be required to comply with any provision of the State Building Code or the State Fire Safety Code;
- Any cost associated with the rehabilitation of an outbuilding, unless such building contributes to the historical significance of the historic home; **and**

- Any nonconstruction costs such as architectural fees, legal fees, and financing fees.

Targeted area means:

- A federally designated *qualified census tract* in which 70% or more of the families have a median income of 80% or less of the state-wide median family income;
- A state designated and federally approved area of chronic economic distress; **or**
- An urban and regional center as identified in the Connecticut Conservation and Development Policies Plan.

Qualifying for the Credit

Prior to beginning any rehabilitation work on an historic home, the owner must submit to CCT a rehabilitation plan and an estimate of the qualified rehabilitation expenditures.

CCT certifies that the rehabilitation plan conforms to the standards for approval of the rehabilitation and reserves an allocation for a tax credit equivalent to 30% of the projected qualified rehabilitation expenditures.

Following the completion of the rehabilitation of an historic home, CCT verifies the owner's compliance with the rehabilitation plan and issues a tax credit voucher to either the owner rehabilitating the historic home or to the taxpayer named by the owner as contributing to the rehabilitation.

The owner is not eligible for a tax credit voucher unless the owner incurs qualified rehabilitation expenditures exceeding \$25,000. The owner must verify that he or she will occupy the historic home as his or her primary residence for at least five years, or that the owner will convey the home to a new owner who will occupy the home as his or her primary residence for at least five years, or record an encumbrance in favor of the funding source that will require the owner or owner's successors to occupy the home for five years.

In no event will any credit allowed exceed \$30,000 per dwelling unit for an historic home.

Credit Percentage

The tax credit is equal to the lesser of 30% of the projected qualified rehabilitation expenditures or 30% of the actual rehabilitation expenditures. The amount of the tax credit that may be claimed will be entered on the voucher issued by CCT.

Carryforward/Carryback Limitations

The credit may be carried forward for four years following the year in which the voucher was issued. No carryback is allowed.

How to Apply

Applications for the tax credit voucher must be made with CCT. Contact CCT at 860-256-2762 for application information.

How to Claim the Credit

The amount listed on the tax credit voucher must be entered on **Form CT-1120HH**, *Historic Homes Rehabilitation Tax Credit*, and on **Form CT-1120K**, *Business Tax Credit Summary*.

Complete Form CT-1120HH and attach it to Form CT-1120K, to claim this credit. The tax credit must be taken by the holder of the tax credit voucher in the same year in which the voucher is issued.

Where to Get Additional Information

Direct inquiries to:

*Connecticut Commission
on Culture and Tourism
Historic Preservation and Museum Division
One Constitution Plaza, 2nd Floor
Hartford CT 06103*

860-256-2762

www.cultureandtourism.org

References

Conn. Gen. Stat. §10-416; Conn. Agencies Regs. §§10-320j-1 through 10-320j-9

Historic Investment Tax Credit

Description

For income years beginning on or after January 1, 2008, a tax credit administered by the Connecticut Commission on Culture and Tourism (CCT) is available to an **owner** rehabilitating a **certified historic structure for mixed residential and non-residential use** or a taxpayer named by the owner as contributing to the rehabilitation. The credit can be used to offset the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes. This credit may be assigned, transferred, or conveyed.

Definitions

Certified rehabilitation means any rehabilitation of a certified historic structure for mixed residential and nonresidential uses consistent with the historic character of such property or the district in which the property is located as determined by regulations adopted by the commissioner.

Owner means any person, firm, limited liability company, nonprofit or for-profit corporation or other business entity which possesses title to an historic structure and undertakes the rehabilitation of such structure.

Certified historic structure means an historic, commercial, or industrial property that:

- Is listed individually on the National or State Register of Historic Places; **or**
- Is located in a district listed on the National or State Register of Historic Places, and has been certified by CCT as contributing to the historic character of such district.

Placed in Service means that substantial rehabilitation work has been completed which would allow for issuance of a certificate of occupancy for the entire building or, in projects completed in phases, for individual residential units that are an identifiable portion of the building.

Qualified rehabilitation expenditures means any costs incurred for the physical construction involved in the rehabilitation of a certified historic structure for mixed residential and nonresidential uses where at least 33% of the total square footage of the rehabilitation is placed in service for residential use, excluding:

- The owner's personal labor;

- The cost of a new addition, except as required to comply with any provision of the State Building Code or the State Fire Safety Code; **and**
- Any nonconstruction costs such as architectural fees, legal fees, and financing fees.

Qualifying for the Credit

Prior to beginning **certified rehabilitation** work on a certified historic structure, the owner must submit to CCT a rehabilitation plan and an estimate of the qualified rehabilitation expenses. If the owner is claiming a 30% credit for creating qualified affordable housing units then the owner shall also submit the number of affordable housing units, the rent or sales price of such units, and the median income for the municipality where the project is located to the Department of Economic and Community Development (DECD).

Credit Percentage

The tax credit is equal to the lesser of 25% of the projected qualified rehabilitation expenditures or 25% of the actual qualified rehabilitation expenditures. If the project creates qualified affordable housing units then the tax credit is equal to the lesser of 30% of the projected qualified rehabilitation expenditures or 30% of the actual qualified rehabilitation expenditures. The owner shall submit to CCT a certificate from DECD in order to claim the credit for qualified affordable housing units. The maximum tax credit allowed for any project shall not exceed \$5 million for any fiscal three-year period.

How to Claim the Credit

The credit shall be claimed in the tax year in which the rehabilitated certified historic structure is placed in service. If the project is completed in phases then a pro rata portion of the credit is available in the year in which an identifiable portion of the rehabilitated certified historic structure is placed in service.

The amount specified on the tax credit voucher must be entered on **Form CT-1120HI**, *Historic Investment Tax Credit*, and **Form CT-1120K**, *Business Tax Credit Summary*. The holder shall retain the voucher and make it available to the Department of Revenue Services upon request.

Assignment

Any owner allowed a Historic Investment Tax Credit (assignor) may assign the tax credit to any individual or entity (assignee). An assignee of the tax credit must claim the tax credit in the same year that the assignor would have been eligible to claim the credit. An assignee may not further assign the tax credit.

Carryforward/Carryback Limitations

The credit may be carried forward for five succeeding income years following the year in which the substantially rehabilitated structure was placed in service. No carryback is allowed. An assignee is entitled to carry forward any unused tax credit as provided in the statute.

Where to Get Additional Information

Direct Inquiries to:

*Connecticut Commission on Culture and Tourism
Historic Preservation and Museum Division
One Constitution Plaza, 2nd Floor
Hartford, CT 06103
860-256-2762*

www.cultureandtourism.org

References

Conn. Gen. Stat. §10-416b

Historic Structures Rehabilitation Tax Credit

Description

A tax credit administered by the Connecticut Commission on Culture and Tourism (CCT) 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 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.

Definitions

Owner means any person, firm, limited liability company, nonprofit or for-profit corporation, or other business entity which possesses title to an historic structure and undertakes the rehabilitation of the structure.

Certified historic structure means an historic commercial or industrial property that:

- Is listed individually on the National or State Register of Historic Places; **or**
- Is located in a district listed on the National or State Register of Historic Places and has been certified by CCT as contributing to the historic character of the district.

Qualified rehabilitation expenditures mean any costs incurred for the physical construction involved in the rehabilitation of a certified historic structure for residential use, but excludes:

- The owner's personal labor;
- The cost of a new addition, except as may be required to comply with any provision of the State Building Code or the State Fire Safety Code; **and**
- Any nonconstruction costs such as architectural fees, legal fees, and financing fees.

Substantial rehabilitation means the qualified rehabilitation expenditures of a certified historic structure that exceed 25% of the assessed value of the structure.

Qualifying for the Credit

Prior to any rehabilitation work taking place, the owner must submit a rehabilitation plan to CCT along with an estimate of the qualified expenditures. CCT will certify the plan and reserve credits equal to 25% of the projected expenditures, not to exceed \$2.7 million.

Once the substantially rehabilitated structure is placed in service, CCT verifies the owners' compliance with the rehabilitation plan and, following such verification, issues a credit voucher. In the case of projects completed in phases, the tax credit is prorated to the identifiable portion of the substantially rehabilitated building placed in service.

Credit Percentage

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 credit that may be claimed will be entered on the credit voucher issued by CCT.

How to Apply

Applications for the tax credit voucher must be made with CCT. Contact CCT at 860-256-2762 for application information.

Complete **Form CT-1120HS**, *Historic Structures Rehabilitation Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*, to claim this credit.

How to Claim the Credit

The tax credit shall be claimed in the tax year in which the building was placed in service. The amount listed on the tax credit voucher must be entered on Form CT-1120HS and Form CT-1120K.

Assignment

Any owner allowed a Historic Structures Rehabilitation Tax Credit (assignor) may assign the tax credit to any individual or entity (assignee). An assignee of the tax credit must claim the tax credit in the same year that the assignor would have been eligible to claim the credit. An assignee may not further assign the tax credit.

Carryforward/Carryback Limitations

The credit may be carried forward for five years following the year in which the rehabilitated structure was placed into service. No carryback is allowed. An assignee is entitled to carry forward any unused credit as provided in the statute.

Where to Get Additional Information

Direct inquiries to:

*Connecticut Commission
on Culture and Tourism
Historic Preservation and Museum Division
One Constitution Plaza, 2nd Floor
Hartford CT 06103*

860-256-2762

www.cultureandtourism.org

References

Conn. Gen. Stat. §10-416a; Conn. Agencies Regs. §§10416a-1 through 10-416a-12

Housing Program Contribution Tax Credit

Description

The Housing Program Contribution tax credit is available to **business firms** that make cash contributions to housing programs that benefit low and moderate income individuals and families. The housing programs must be sponsored, developed, or managed by **nonprofit corporations**.

This tax credit program is administered by the Connecticut Housing Finance Authority (CHFA) in accordance with its adopted written procedures. Any tax credit earned under this program may be applied against the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

Definition

Business firm means:

- Any business entity authorized to do business in Connecticut and subject to the corporation business tax;
- Any company subject to the tax imposed under Chapter 207;
- Any air carrier subject to the air carriers tax imposed under Chapter 209;
- Any railroad subject to the railroad companies tax imposed under Chapter 210;
- Any community antenna television systems company subject to the tax imposed under Chapter 211; **or**
- Any utility subject to the utility companies tax imposed under Chapter 212.

Nonprofit corporation means any nonprofit corporation incorporated according to Chapter 602 of the Connecticut General Statutes (or any predecessor statutes) which: 1) has as one of its purposes the construction, rehabilitation, ownership or operation of housing; and 2) has articles of incorporation that have been approved by the executive director of CHFA in accordance with CHFA's adopted regulations.

Credit Percentage

A tax credit voucher may be issued by CHFA in an amount equal to 100% of the cash contribution made by the business firm.

Credit Limitations

No tax credit shall be granted to any business firm for any contribution of less than \$250. In addition, no organization conducting an eligible housing program may receive total cash contributions in excess of \$500,000 in any one fiscal year.

The maximum tax credit allowed in the aggregate to all business firms in any one fiscal year is \$10 million.

Until November 1 of each year, \$2 million of the total amount of available tax credits will be set aside for the Supportive Housing Pilots Initiative or Next Steps Initiative and \$1 million of the total amount of all tax credits will be set aside for workforce housing to the extent that the applicants are submitted for the annual funding round. On or after November 1 of each year, any unused portion of such credits shall be available for any housing program.

No business firm will receive both the Housing Program Contribution Tax Credit and the Neighborhood Assistance Act Tax Credit for the same cash contribution.

How to Apply

Contact CHFA Tax Credit Unit at 860-721-9501, Ext. 237 or go to www.chfa.org for information regarding the application process.

How to Claim the Credit

Upon verification that the contribution has been made, CHFA will issue a tax credit voucher listing the tax credit amount that may be claimed by the business firm. The amount listed on the tax credit voucher issued by CHFA must be entered on **Form CT-1120 HPC**, *Housing Program Contribution Tax Credit*, and **Form CT-1120K**, *Business Tax Credit Summary*.

Carryforward/Carryback Limitations

The amount of tax credit that is not used in the income year during which the cash contribution was made may be carried forward or back for the five immediately succeeding or preceding income years until the full credit is taken.

Where to Get Additional Information

Direct inquiries to:

Connecticut Housing Finance Authority

Tax Credit Unit

999 West Street

Rocky Hill CT 06067-4005

860-721-9501 Ext. 237

www.chfa.org

References

Conn. Gen. Stat. §8-395; Conn. Agencies Regs.

§§8-395-1 through 8-395-10

Human Capital Investment Tax Credit

Description

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 the following types of *human capital* investments:

- 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, site 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, as defined in Conn. Gen. Stat. §31-51ww.

No corporation claiming this credit shall claim any other credit against any tax with respect to the same investment.

Definitions

Training is the instruction, maintenance, or improvement of the skills required by the employer for the proper performance of the employee's duties that are conducted in Connecticut.

Work education programs include but are not limited to programs in public high schools and work education-diversified occupation programs.

Q & A on the Human Capital Investment Credit Applying to In-State Training of Persons Employed in Connecticut:

1. **Do employees' salaries while training qualify?**
No.
2. **Can payroll taxes and fringe benefits be included?**
No. These expenses are deemed actual employee expenses and not training expenses.
3. **Does the cost of training materials qualify?**
Yes, if the training takes place in Connecticut.
4. **Does the training facility and depreciation expense qualify as an eligible training expense?**
The cost of the training facility in Connecticut is allowed, but depreciation expenses do not qualify.
5. **What other expenses qualify?**
Direct expenses that are related to the training qualify, but indirect expenses, such as overhead, do not qualify. For example, if a corporation hires a training instructor, the expenses of the instructor qualify to the extent that the expenses are directly related to training that meets the statutory requirements.
6. **Does the cost of course registration qualify?**
Yes.
7. **Do travel costs related to the training qualify?**
Yes, provided the travel is within Connecticut.

Credit Percentage

The tax credit percentage is 5% of the amount paid or incurred by the corporation as a human capital investment.

Carryforward/Carryback Limitations

Any tax credit not used during the income year may be carried forward to the next five succeeding income years until the entire credit is used. No carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120 HCIC**, *Human Capital Investment Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*, along with all required detailed schedules.

Where to Get Additional Information

Direct inquiries to:

Department of Revenue Services

Taxpayer Services Division

25 Sigourney Street

Hartford CT 06106

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or*

860-297-5962 (from anywhere)

www.ct.gov/DRS

References

Conn. Gen. Stat. §12-217x

Insurance Reinvestment Fund Tax Credit

Description

Tax credits are available for investments made in an Insurance Reinvestment Fund that invests in Connecticut companies engaged in an insurance business or providing services to insurance companies. This tax credit is administered by the Department of Economic and Community Development (DECD).

At this time all funds are closed and are no longer open to new investors. No tax credit will be granted for investments made in an insurance business after December 31, 2015.

The credit may be applied against the taxes imposed under Chapters 207, 208, or 229; or section 38a-743 of the Connecticut General Statutes.

Credit Percentage

The tax credit is allowable over ten years as follows:

- Income year in which the investment was made and the two succeeding income years, 0%;
- Third full income year following the year in which the investment in the insurance business was made and the three succeeding income years, 10%; **and**
- Seventh full income year following the year in which the investment in the insurance business was made and the two succeeding income years, 20%.

How to Claim the Credit

The tax credit is claimed by completing **Form CT-IRF**, *Insurance Reinvestment Fund Tax Credit*. Attach Form CT-IRF to **Form CT-1120K**, *Business Tax Credit Summary*.

The tax credit may only be claimed with respect to an income year for which a certification of continued eligibility is issued by DECD to the insurance business in which the investment was made. In order to obtain a certificate of continued eligibility, the insurance business in which the investment was made must annually submit the information required by DECD to determine whether the occupancy and employment requirements have been met. The certificate of continued eligibility is issued on the first day of the third month following the close of the insurance business' income year.

The same investment in an insurance business can not generate tax credits for both the investor and the insurance business. For example, the investment that allows an eligible insurance business to qualify for the Fixed Capital Investment Tax Credit cannot also be used to claim the Insurance Reinvestment Fund Tax Credit.

Assignment

The tax credit may be assigned by the taxpayer to another person provided the person may claim the credit only with respect to a calendar year for which the assigning taxpayer would have been eligible to claim the tax credit. No subsequent assignments will be allowed.

Carryforward/Carryback Limitations

Any unused credit balance may be carried forward for the five immediately succeeding income years until the entire tax credit is taken. No carryback is allowed. An assignee is entitled to carry forward any unused tax credit as provided in the statute.

Recapture Provision

A taxpayer must recapture a percentage of the tax credit allowed for the entire period of eligibility if an investment is made in an insurance company or in a company that provides services to an insurance business if:

- The number of new employees on account of which a taxpayer claimed the credit decreases to less than 25% of its total work force for more than 60 days during any of the taxable years for which the credit is claimed;
- Those employees are not replaced by other employees who have not been shifted from an existing location of the subject insurance business in Connecticut; **and**
- The insurance business in which the investment was made has relocated to a location outside Connecticut.

The recapture will not apply and the tax credits may continue to be claimed if, for the entire period that the credit is applicable, the decrease in the percentage of total work force employed in Connecticut on a regular, full-time, and permanent basis does not result in an actual decrease in the number of persons employed by the subject insurance business in Connecticut.

The taxpayer must recapture a percentage of the tax credit that is related to an investment in a company that meets the requirements provided above as follows:

Year	Percentage
Year 4	90%
Year 5	65%
Year 6	50%
Year 7	30%
Year 8	20%
Years 9 and 10	10%

The Commissioner of the Department of Revenue Services (DRS) may recapture the credit first from any taxpayer who claimed the tax credit, then from any taxpayer who assigned the tax credit, and finally from any fund through which the investment that generated the tax credit was made.

Where to Get Additional Information

Direct inquiries to:

*Department of Economic
and Community Development
Attn: Michael Lettieri
505 Hudson Street 2nd Floor
Hartford CT 06106-7107
860-270-8127
www.ct.gov/ecd*

References

Conn. Gen. Stat. §38a-88a

Machinery and Equipment Expenditure Tax Credit

Description

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.

Definitions

Machinery is the basic machine itself, including all of its component parts such as belts, pulleys, shafts, moving parts, operating structures, replacement and repair parts, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the taxpayer or another related party; and all equipment or devices used or required to control, regulate, or operate the machinery, including without limitation computers and data processing equipment. Furniture and fixtures, automobiles, or other property used for transportation are not machinery.

The term also includes all replacement and repair parts, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the taxpayer or another related party.

Equipment is a device separate from machinery but essential to the business. Repair and replacement parts for equipment also qualify for the credit under the same terms as provided for parts purchased for machinery. Furniture and fixtures, automobiles, construction equipment, or other property used for transportation are not equipment.

An **employee** is any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee.

A **full-time employee** is any employee whose wages, salaries, or other compensation is paid in Connecticut and whose employment requires an average of 35 hours or more of service each week for at least eight consecutive weeks.

Facility means any plant, building, or other real property improvement used by the corporation in its trade or business.

How to Compute the Credit

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.

5% credit

A tax credit equal to 5% of the incremental increase in expenditures 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.

10% credit

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.

Carryback/Carryforward Limitations

No carryforward or carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120 MEC, Machinery and Equipment Tax Credit**. Schedules listing machinery and equipment expenditures and verification of the number of full-time employees must be attached to this form. The credit amount reported on Form CT-1120 MEC must be entered on **Form CT-1120K, Business Tax Credit Summary**. Form CT-1120 MEC and all schedules must be attached to Form CT-1120K.

Q & A on the Machinery and Equipment Expenditure Credit:

1. How is the final number of employees determined?

The final number of employees is determined by taking the average of the numbers of full-time, permanent employees in Connecticut that are reported on the corporation's **Forms CT-941, Connecticut Quarterly Reconciliation of Withholding**, filed for the income year.

2. When an asset is traded in and replaced with a new asset, what is the expenditure for the new asset for purposes of calculating this tax credit?

The expenditure for machinery and equipment is the sum of the cash paid plus the consideration received for the asset that is traded in.

3. Can software expenses qualify as expenditures for machinery and equipment for purposes of calculating this tax credit?

Software expenses qualify as expenditures for this tax credit if the software is preloaded into the machinery or equipment with which it is used. Software purchased separately from machinery or equipment does not qualify as an expenditure for purposes of this tax credit.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §12-217o

Neighborhood Assistance Program Tax Credit

Description

A tax credit may be earned by **business firms** that make cash investments of at least \$250 to certain community programs. The cash investments must be made in a community program that is proposed and conducted by a tax exempt or a municipal agency and must be approved both by the municipality in which the program is conducted and the Department of Revenue Services (DRS).

Business firms may apply this tax credit against the taxes imposed under sections 12-202 or 12-210 of Chapter 207; Chapters 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

Definitions

Business firm means any business entity authorized to do business in Connecticut and subject to the corporation business tax imposed under Chapter 208; any insurance company subject to the tax imposed under sections 12-202 or 12-210 of Chapter 207; any air carrier subject to the tax imposed under Chapter 209; any railroad company subject to the railroad companies tax imposed under Chapter 210; any community antenna television company subject to the tax imposed under Chapter 211; or any utility company subject to the utility companies tax imposed under Chapter 212 of the Connecticut General Statutes.

Child day care facilities services mean the planning, site preparation, construction, renovation, or acquisition of facilities for purposes of establishing a child care facility to be used primarily by the children of such business firm's employees. It also includes equipment installed in the facility, including kitchen appliances, to the extent that the equipment or appliances are necessary in the use of the facility for purposes of child day care. The facility must be properly licensed and operated without profit.

Community services is any type of counseling and advice, emergency assistance, or medical care furnished to individuals or groups in the state.

Crime prevention activities means any activity which aids in the reduction of crime in the state.

Donation of money to an open space acquisition fund means donating money to an open space acquisition fund of any political subdivision of the state or any nonprofit land conservation organization that is used for the purchase of land, interest in land, or permanent conservation restriction on land which is to be permanently preserved as protected open space.

Education is any type of scholastic instruction or scholarship assistance to any person who resides in the state that enables such person to prepare for better opportunities, including teaching services donated according to §10-21c of the Connecticut General Statutes.

Employment and training programs is any type of instruction to persons who reside in the state that enables such person to acquire vocational skills to become employable or seek a higher grade of employment.

Energy conservation projects are projects to promote energy conservation that are directed toward properties occupied by low-income persons or properties owned or occupied by charitable corporations, foundations, trust, or other entities. These projects include but are not limited to energy conserving modification or replacement of windows and doors; caulking and weatherstripping; insulation; automatic energy control systems; hot water systems; equipment required to operate variable steam, hydraulic, and ventilating systems; replacement of burners, furnaces, or boilers; electrical or mechanical furnace ignition systems; or replacement or modification of lighting fixtures.

Families of low and moderate income mean families meeting the criteria for designation as families of low and moderate income established by the Commissioner of Economic and Community Development under section 8-39(f) of the Connecticut General Statutes.

Job training means any type of instruction to any person who resides in the state that enables the person to acquire vocational skills to become employable or seek a higher grade of employment.

Neighborhood means any specific geographic area, urban, interurban, suburban, or rural, which is experiencing problems endangering its existence as a viable and stable neighborhood.

Neighborhood assistance means the furnishing of financial assistance, labor, materials, or technical advice to aid in the physical improvement or rehabilitation of all or any part of a neighborhood.

Credit Percentage

A tax credit equal to 100% of the cash invested is available to business firms that invest in *energy conservation projects*.

A tax credit equal to 60% of the cash invested is available to business firms that invest in programs that provide: neighborhood assistance; job training; education; community services; crime prevention; construction or rehabilitation of dwelling units for families of low and moderate income in the state; funding for open space acquisitions; child day care facilities; child care services; and any other program which serves persons at least 75% of whom are at an income level not exceeding 150% of the poverty level for the preceding year.

A tax credit equal to 40% of the cash invested is available to business firms that invest in community-based alcoholism prevention or treatment programs.

Note that the total charitable contributions of the contributing business firm must equal or exceed its prior year's charitable contributions in order to be eligible for the tax credit. This requirement does not apply if the contribution is to an approved open space acquisition fund.

Obtaining Approval for the NAA Tax Credit Program

Tax-exempt entities and municipal agencies desiring to obtain benefits under the NAA must complete **Form NAA-01**, *Connecticut Neighborhood Assistance Act Program Proposal*, Parts I, II, and III and submit the form to the municipal agency overseeing the implementation of the proposal. The overseeing municipal agency then completes Part IV of Form NAA-01 and submits the form to DRS on or before **July 1** of each year. Prior to submitting Form NAA-01 to DRS, each municipality must hold a public hearing on all program applications. The governing body of the municipality must vote to approve the programs. Copies of the public hearing notice and minutes of the meeting approving the programs must be submitted by the municipality with the program proposals on or before July 1 of each year.

Qualifying for the Tax Credit

Business firms that wish to make a cash contribution to a qualified community program can obtain a list of approved programs by September 1 of each year. The business firms are required to complete **Form NAA-02**,

Neighborhood Assistance Act Business Application, and mail or hand deliver the form to DRS between **September 15** and **October 1** of each year. No facsimiles are accepted.

Limits on the Amount of Contributions that May be Made or On the Amount of Tax Credit Available

The NAA tax credit program has several statutory limits which must be observed, including the following:

- A business firm is limited to receiving \$75,000 in tax credits annually; however, the amount of tax credit allowed any business firm for investments in child day care facilities for any income year may not exceed \$50,000.
- The minimum contribution on which a tax credit can be granted is \$250.
- The total charitable contributions of the contributing business firm must equal or exceed its prior year's amount. This requirement does not apply if the contribution is to an approved open space acquisition fund.
- Any organization conducting a program or programs eligible for funding under the NAA is limited to receiving an aggregate of \$150,000 of funding for any program or programs for any fiscal year.
- The total amount of all tax credits allowed has a \$5 million cap which, if exceeded, results in proration of approved tax credits among the approved organizations.
- No business firm will receive both the NAA credit and the Housing Program Contribution Credit for the same cash contribution.

Carryforward/Carryback Limitations

No carryforward is allowed. Any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years (beginning with the earlier of the two years).

How to Claim the Credit

DRS issues a Neighborhood Assistance Program approval letter to business firms that make qualifying contributions. The letter indicates the tax credit amount that may be claimed on the Connecticut Corporation Business Tax Return. The credit amount must be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Neighborhood Assistance Act Program
Attn: Research Unit
25 Sigourney Street
Hartford CT 06106
860-297-5687
www.ct.gov/DRS*

References

Conn. Gen. Stat. §§12-631 through 12-638, as amended by 2007 Conn. Pub. Acts 242, §72; 2007 Conn. Pub. Acts 5, §§11 and 12 (June Spec. Sess.)

Notes

New Jobs Creation Tax Credit

Description

A tax credit is available to **taxpayers** that create at least 10 **new jobs** in Connecticut. This tax credit is administered by the Department of Economic and Community Development (DECD). This credit may be applied against the tax imposed under sections 12-202 or 12-210 of Chapter 207, and Chapters 208 and 212 of the Connecticut General Statutes.

Definitions

Taxpayer means a person subject to tax under Chapters 207, 208, or 212 of the Connecticut General Statutes.

Commissioner means the Commissioner of DECD.

New job means a **full-time job** which: 1) did not exist in this state prior to the taxpayer's application to the Commissioner for an eligibility certificate, and 2) is filled by a **new employee**.

New employee means a person hired by the taxpayer to fill a new job. A new employee does not include a person who was employed in Connecticut by a **related person** with respect to the taxpayer within the prior 12 months.

Full-time job means a job in which an employee is hired to work at least 35 hours per week and does not include a temporary or seasonal job.

Related person means: (A) a corporation, limited liability company, partnership, association, or trust controlled by the taxpayer, (B) an individual, corporation, limited liability company, partnership, association, or trust that is in control of the taxpayer, (C) a corporation, limited liability company, partnership, association, or trust controlled by an individual, corporation, limited liability company, partnership, association, or trust that is in control of the taxpayer, or (D) a member of the same controlled group as the taxpayer.

Application and Approval Process

Any taxpayer planning to claim this tax credit must first complete an application with the commissioner. The Commissioner shall determine whether the taxpayer

making the application is eligible for the tax credit and whether the proposed job growth: 1) is economically viable only with the use of the tax credit; 2) would provide a net benefit to the economic development and employment opportunities in the state; and 3) conforms to the state plan of conservation and development.

The application may be approved in whole or in part if the Commissioner concludes that the increase in the number of jobs is economically viable only with the use of the tax credit and that the revenue generated due to the economic development and employment opportunities created in the state exceed the tax credit and any other tax credits to be taken.

Upon approval of the tax credit, the Commissioner shall issue a tax credit allocation notice certifying that the tax credit will be available to be claimed by the taxpayer if the taxpayer otherwise meets the requirements of the statute.

Credit Percentage

The tax credit allowed is an amount up to 60% of the income tax deducted and withheld from the wages of new employees and paid over to the state according to Chapter 229 of the Connecticut General Statutes.

No later than 30 days after the close of the taxpayer's income year, the taxpayer shall provide DECD with information regarding the number of new jobs created for the year and the income tax deducted and withheld from the wages of such new employees and paid over to the state for such year. The Commissioner shall issue a certificate of eligibility which includes the amount of the credit certified for the year. The tax credit may be granted to a taxpayer for not more than five successive income years.

How to Claim the Credit

Complete **Form CT-1120 NJC**, *New Jobs Creation Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*. The tax credit shall be claimed in the income year in which it is earned.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

Recapture Provisions

A taxpayer shall be required to recapture a percentage of the tax credit allowed if:

- The number of new employees on account of which a taxpayer claimed the tax credit decreases to less than the number for which the Commissioner issued an eligibility certificate during any of the four years succeeding the first full income year following the issuance of an eligibility certificate; **and**
- Those employees are not replaced by other employees who have not been shifted from an existing location of the taxpayer or a related person in this state.

The taxpayer will be required to recapture a percentage of the credit as follows:

Year	Percentage
Recapture Year 1	90% of the credit allowed
Recapture Year 2	65% of the credit allowed for the entire period of eligibility
Recapture Year 3	50% of the credit allowed for the entire period of eligibility
Recapture Year 4	30% of the credit allowed for the entire period of eligibility

Where to Get Application and Additional Information

Direct inquires to:

*Department of Economic
and Community Development*
505 Hudson Street
Hartford CT 06106
860-270-8045
www.ct.gov/ecd

References

Conn. Gen. Stat. §12-217ii, as amended by 2007
Conn. Pub. Acts 250, §18

Research and Development (Nonincremental) Expenditures Tax Credit

Description

A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes for **research and development expenses** incurred in Connecticut.

Definitions

Qualified small business means a company that has gross income for the previous income year that does not exceed \$100 million and has not met the gross income test through transactions with a related person, as defined for purposes of the fixed capital investment tax credit.

Research and development expenses mean those expenses that may be deducted under section 174 of the Internal Revenue Code of 1986, as in effect on May 28, 1993, and basic research payments as defined under I.R.C. §41, provided the expenditures and payments are:

- Paid or incurred for the research and experimentation and basic research conducted in Connecticut; **and**
- Not funded, as provided in I.R.C. §41(d)(4)(H), by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless the other person is included in a combined return with the person paying or incurring such expenses.

Research and development expenses may include but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business that represent research and development costs in the experimental or laboratory sense;
- All costs incident to the development or improvement of a product including any pilot model, process, formula, invention, technique, patent, or similar property. The product can be used by the corporation in its trade or business or can be held for sale, lease, or license; **or**

- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application.

The following are examples of I.R.C. §174 expenses that **do not** qualify:

- Overhead and other expenses, such as general and administrative expenses, that relate to a corporation's activities as a whole and do not contribute directly to the research and development effort; **or**
- The ordinary testing or inspection of materials or products for quality control, for efficiency surveys, management studies, consumer surveys, advertising or promotions, for research in connection with literary, historical, or similar projects, and the costs of acquiring another's patent, model, production, or process.

Credit Percentage

A qualified small business is entitled to a tentative tax credit equal to 6% of its research and development expenditures. All other companies calculate their tax credit as provided in the chart below.

Research and Development Expenses	Tentative Credit Percentage
\$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

Companies headquartered in an Enterprise Zone, with revenues in excess of \$3 billion, employing more than 2,500 employees, may elect to multiply their research and development expenses by 3.5% instead of using the credit percentage listed above.

Connecticut Wage Base Reduction

Taxpayers that pay or incur more than \$200 million in research and development expenses in an income year must reduce their Research and Development Tax Credit if workforce reductions exceed certain percentages. To determine the extent of workforce reductions, the current Connecticut wage base is compared to a historic

Connecticut wage base determined from the third full income year immediately preceding the current income year. The Connecticut wage base is calculated from the total wages assigned to Connecticut with exclusions for the ten most highly paid executives of the taxpayer.

The Research and Development Tax Credit must be reduced by the following percentages based on the extent of the workforce reduction from the historic wage base.

Workforce Wage Base Reduction Percentage	Reduction Percentage
not more than 2%	0%
more than 2% but not more than 3%	10%
more than 3% but not more than 4%	20%
more than 4% but not more than 5%	40%
more than 5% but not more than 6%	70%
more than 6%	100%

How to Compute the Credit

The allowable credit is the lesser of:

- One-third of the amount of the credit allowable for any income year; or
- The greater of:
 - 50% of the taxpayer's tax liability, determined without regard to any tax credits allowed by this credit; **or**
 - The lesser of 200% of the credit otherwise allowed for the income year or 90% of the taxpayer's tax liability, determined without regard to this tax credit.

Any taxpayer also claiming a corporation business tax credit on **Form CT-1120RC**, *Research and Experimental Expenditures Tax Credit*, will reduce the amount of research and development expenses that might otherwise be taken into account in computing the allowable credit by the amount of the incremental increase in research and experimental expenditures, as computed on Form CT-1120RC.

Any taxpayer also claiming a corporation business tax credit on **Form CT-1120GC**, *Research and Development Tax Credit for Grants to Institutions of Higher Education*, will reduce the amount of research and development expenses that might otherwise be taken into account in computing the allowable credit by the amount of the incremental increase in grants, as computed on Form CT-1120GC.

Calculate the credit by multiplying the amount spent on research and development conducted in Connecticut by the appropriate percentage. The calculation reported on **Form CT-1120 RDC**, *Research and Development Credit*, must be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

In the case of combined returns, all allowances and limitations will be made on an aggregate basis for all taxpayers included in the combined return, provided, the credit attributable to a **qualified small business** may be taken only against the combined tax liability attributable to the qualified small business. The amount of the combined tax for all corporations properly included in a combined corporation business tax return that is attributable to a qualified small business will be in the same ratio to the combined tax that the net income apportioned to Connecticut of the **qualified small business** bears to the net income in the aggregate of all corporations included in the combined return. For the purposes of computing this ratio, any net loss apportioned to Connecticut by a corporation included in the combined return will be disregarded.

Carryforward/Carryback Limitations

Tax credits that are allowed but that exceed the limitation amounts may be carried forward to each successive income year until such credits are fully taken. All allowable tax credits from prior years must be carried forward and applied before the current year tax credit may be taken. No carryback is allowed.

How to Claim the Credit

Complete Form CT-1120 RDC and attach it to Form CT-1120K.

Attachments Required

The following information should be attached to Form CT-1120 RDC:

- A full and complete description of the nature of the research projects conducted by the company during the income year, and the location(s) where the research is conducted;
- A full and complete description of the methods used to obtain the total expenditures and payments for research and experimentation and basic research conducted in Connecticut;

- A detailed description of each source of information used to compute the credit, including the methods and calculations of expense allocation, if any; **and**
- The job title and detailed description of each employee whose wages are included in the research expenditures.

Exchange of Tax Credit for Refund

A **qualified small business** that cannot take this tax credit in a taxable year in which it could otherwise be taken, as a result of having no tax liability, may exchange the tax credit with the State of Connecticut for a credit refund equal to 65% of the value of the tax credit or may elect to carry the credit forward as indicated above.

For the purpose of exchanging tax credits, **qualified small business** means a company that has gross income for the previous income year that does not exceed \$70 million and has not met the gross income test through transactions with a “related person” as defined for purposes of the fixed capital investment tax credit. See Page 35 for definition of related person.

The definition of qualified small business used in determining whether the taxpayer is eligible for the exchange of this tax credit for a credit refund is different than the definition of qualified small business used in determining if the taxpayer is eligible for a tentative tax credit equal to 6% of research and development expenses.

A qualified small business may receive no more than \$1,500,000 of credit refund for any one income year.

A qualified small business that reports no net income (prior to the application of net operating losses) or pays either the minimum tax of \$250 or the capital base tax under Conn. Gen. Stat. §12-219 is permitted to exchange research and development tax credits.

A qualified small business that wishes to exchange tax credits must complete **Form CT-1120 XCH**, *Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business*, and submit it with the final tax return for the income year.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §§12-217n and 12-217ee;
Special Notice 93(21); 26 U.S.C. §§41 and 174

Notes

Research and Experimental (Incremental) Expenditures Tax Credit

Description

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.

Research and experimental expenditures as defined in section 174 of the Internal Revenue Code of 1986, as amended, include but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business that represent research and development costs in the experimental or laboratory sense;
- All costs incident to the development or improvement of a product, including any pilot model, process, formula, invention, technique, patent, or similar property. The product can be used by the corporation in its trade or business or can be held for sale, lease, or license; **or**
- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application.

The following are examples of expenses that **do not** qualify:

- Overhead and other expenses, such as general and administrative expenses, that relate to a corporation's activities as a whole and do not contribute directly to the research and development effort; **or**
- The ordinary testing or inspection of materials or products for quality control, for efficiency surveys, management studies, consumer surveys, advertising or promotions, for research in connection with literary, historical, or similar projects and the costs of acquiring another's patent, model, production, or process.

How to Compute the Credit

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.

Carryforward/Carryback Limitations

The tax credit shall be carried forward for 15 successive income years until the tax credit is fully taken. No carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Attachments Required

The following information should be attached to Form CT-1120RC:

- A full and complete description of the nature of the research projects conducted by the company during the income year, and the location(s) where the research is conducted;
- A full and complete description of the methods used to obtain the amount spent directly on research and experimental expenditures conducted in Connecticut;
- A detailed description of each source of information used to compute the credit, including the methods and calculations of expense allocation, if any; **and**
- The job title and detailed description of each employee whose wages are included in the research expenditures.

Exchange of Tax Credit for Refund

A **qualified small business** that cannot take this tax credit in a taxable year in which it could otherwise be taken, as a result of having no tax liability, may exchange such tax credit with the State of Connecticut for a credit refund equal to 65% of the value of the credit or may elect to carry such tax credit forward as indicated above.

For the purpose of exchanging tax credits, **qualified small business** means a company that has gross income for the previous income year that does not exceed \$70 million and has not met the gross income test through transactions with a related person, as defined for purposes of the fixed capital investment tax credit.

A qualified small business that reports no net income (prior to the application of net operating losses) or pays either the minimum tax of \$250 or the capital base tax under Conn. Gen. Stat. §12-219 is permitted to exchange research and development tax credits.

A qualified small business that wishes to exchange tax credits must complete **Form CT-1120 XCH**, *Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business*, and submit it with the final tax return for the income year.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §§12-217j and 12-217ee; 26 U.S.C. §174

Research and Development Tax Credit for Grants to Institutions of Higher Education

Description

A tax credit may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes for the incremental increase in amounts spent by a corporation for any grant or combination of grants to any **institution of higher education** in Connecticut made for the purposes of **research and development related to advancements in technology**.

Definitions

Institution of higher education means any public or nonprofit institution in Connecticut that:

- Admits regular students having a certificate of graduation from high school or equivalent certificate;
- Is licensed, accredited, or approved by the Board of Governors of Higher Education to provide a program beyond high school education; **and**
- Provides an educational program in Connecticut for which it awards a bachelor's or higher degree, or provides a program towards gainful employment.

Research and development related to advancements in technology means development of new products, development of new uses for existing products, and improving methods for producing products.

Research and development related to advancements in technology does **not** include:

- Testing or inspection for quality control purposes;
- Efficiency surveys, management studies, consumer surveys or other market research;
- Advertising or promotional activities; **or**
- Research in connection with literary, historical, or similar projects.

How to Compute the Credit

Multiply by 25% the excess of the current income year's expenditures for research and development grants to institutions of higher education over the average expenditures for such grants during the three immediately preceding income years.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120GC**, *Research and Development Tax Credit for Grants to Institutions of Higher Education*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §12-2171

Notes

Service Facility Tax Credit

Description

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 **service facility** located outside of an **Enterprise Zone** in a **Targeted Investment Community**. The amount of the tax credit depends upon the number of **new employees** working at the facility.

The tax credit is administered by the Department of Economic and Community Development (DECD).

A service facility located in an Enterprise Zone cannot qualify for this tax credit, however, it may qualify for the 50% or 25% Manufacturing Facility Credit. See Pages 69 and 73.

Definitions

Service facility means any plant, building, or other real property improvement that is constructed, renovated, expanded, or acquired, and that is used for the following services:

- Depository institutions or nondepository credit institutions;
- Finance and insurance;
- Holding or other investment offices;
- Business services;
- Health care and social assistance;
- Fishing, hunting, and trapping;
- Transportation and warehousing;
- Air, water, and other transportation services;
- Security and commodity brokers, dealers, exchanges, and services;
- Professional, scientific, and technical services;
- Administrative and support services assistance;
- Telemarketing, engineering, accounting, research, management, and related services; **or**
- Supplying goods or services in the field of computer hardware or software, computer networking, telecommunications, or communications.

For a detailed list of the qualifying service sectors, see Conn. Agencies Regs. §32-9p-5.

Enterprise Zone means any area designated by the Commissioner of DECD as an Enterprise Zone. See Page 75 for a more detailed description.

Targeted Investment Community means a municipality that contains an Enterprise Zone.

New employee means a person hired by the taxpayer to fill a position for a **new job** or a person shifted from an existing location of the taxpayer outside Connecticut to a service facility located in Connecticut, provided the total number of new employees allowed for purposes of this credit will not exceed the total increase in the taxpayer's employment in Connecticut. The increase in the taxpayer's employment will be the difference between the number of employees employed in Connecticut at the time of application for this credit and the highest number of employees employed by the taxpayer in Connecticut in the year preceding the taxpayer's application for this credit. To be considered a new employee, the person's duties in connection with the operation of the facility must be on a regular, full-time, and permanent basis.

New job means a job that did not exist in the business of a taxpayer in Connecticut prior to the taxpayer's application for this credit and that is filled by a new employee. A new job does **not** include a job created when an employee is shifted from an existing location within Connecticut.

Credit Percentages

There are six different credit percentages as provided in the chart below, to be applied against the portion of the tax imposed under Chapter 208 of the Connecticut General Statutes that is allocable to the service facility. The percentage varies depending upon the number of new employees occupying the service facility:

Number of New Employees Working at the Facility	Credit Percentage
300 – 599	15%
600 – 899	20%
900 – 1,199	25%
1,200 – 1,499	30%
1,500 – 1,999	40%
2,000 or more	50%

How to Apply

A taxpayer may call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire in order to determine whether its service facility qualifies for the tax credit.

Upon review of the completed questionnaire, a DECD staff representative will contact the taxpayer to explain the program and the formal application process.

Once the formal application is approved, DECD will issue to the taxpayer Forms UT-4, Eligibility Certificate for Urban Jobs Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

How to Compute the Credit

The tax credit is computed by using the arithmetical mean of two fractions (property and wages) to determine the portion of the corporation business tax liability that is allocable to the Connecticut service facility.

Property (numerator calculation)

Determine the average monthly net book value of the Connecticut service facility and the machinery and equipment acquired for and installed therein (without reduction for any encumbrance). If the facility is rented, the service facility portion of the numerator is calculated by multiplying the annual gross rents payable for the service facility times eight.

Property (denominator calculation)

Determine the average monthly net book value of all real property and machinery and equipment located in Connecticut and the value of all real property and machinery and equipment rented by the corporation in Connecticut.

Wages (numerator calculation)

Determine the wages, salaries, and compensation of employees whose positions are directly attributable to the Connecticut service facility.

An employment position is directly attributable to the manufacturing facility if **all** of the following are true:

- The work is performed or the base of operations is at the service facility;
- The position did not exist prior to the acquisition, construction, renovation, or expansion of the service facility; **and**

- If not for the acquisition, construction, renovation, or expansion of the service facility, the position would not have existed.

Wages (denominator calculation)

Determine the wages, salaries, and compensation paid to all Connecticut employees.

The credit period is ten years and begins with the first full income year following the year of issuance of the eligibility certificate and continues for the following nine income years.

If within the ten year period the facility ceases to qualify as a service facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates and there is no pro-rata application of the credit during the income year in which the entitlement or occupancy terminates.

How to Claim the Credit

Complete **Form CT-1120SF**, *Service Facility Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

Where to Get Additional Information

Direct any inquiries to:

*Department of Economic
and Community Development
505 Hudson Street
Hartford CT 06106-7107
860-270-8143
www.ct.gov/ecd*

References

Conn. Gen. Stat. §§12-217e, 32-9p, and 32-70; Conn. Agencies Regs. §32-9p-5

50% Manufacturing Facility Tax Credit for Facilities Located in an Enterprise Zone (or Other Area Having Enterprise Zone Level Benefits)

Description

A tax credit equal to 50% of the tax imposed under Chapter 208 of the Connecticut General Statutes allocable to a **manufacturing facility** located within a designated **Enterprise Zone** (or other area designated as having Enterprise Zone level benefits) is available to a manufacturing facility that meets certain employment criteria. If it does not meet the employment criteria, the facility may still qualify for the 25% Manufacturing Facility Credit. See Page 73.

This tax credit is administered by the Department of Economic and Community Development (DECD).

Definition

Manufacturing facility means any plant, building, or other real property improvement that is constructed, renovated, expanded, or acquired and that is used for one of the following purposes:

- Manufacturing, processing, or assembling of raw materials, parts or manufactured products;
- Research and development facilities directly related to manufacturing;
- The significant servicing, overhauling, or rebuilding of machinery and equipment for industrial use;
- The warehousing and distribution in bulk of manufactured products on other than a retail basis (new construction only); **or**
- Certain service sectors as defined by the Commissioner of DECD in Conn. Agencies Regs. §32-9p-5.

For a complete definition of a manufacturing facility, see Conn. Agencies Regs. §32-9p-5.

Employment Criteria

To qualify for the 50% tax credit, the corporation must, during the last quarter of its income year, either:

- Employ 150 or more full-time employees who at the time of employment were:
 - Residents of the **Enterprise Zone** (or other area having Enterprise Zone level benefits); **or**
 - Residents of the municipality who are eligible for training under the federal Workforce Investment Act (WIA);

OR

- Have 30% or more of its full-time employment positions directly attributable to the manufacturing facility held by employees who at the time of employment were:
 - Residents of the **Enterprise Zone** (or other area having Enterprise Zone level benefits); **or**
 - Residents of the municipality who are eligible for training under the federal WIA.

Location Criteria

Enterprise Zone means any area designated by the Commissioner of DECD as an Enterprise Zone.

Areas that are currently designated as Enterprise Zones are situated within the following municipalities:

Bridgeport	Meriden	Norwich
Bristol	Middletown	Southington
East Hartford	New Britain	Stamford
Groton	New Haven	Waterbury
Hamden	New London	Windham
Hartford	Norwalk	

Targeted Investment Community means a municipality with an Enterprise Zone designated under Conn. Gen. Stat. §32-70. A municipality may have only one Enterprise Zone. However, a Targeted Investment Community may, with approval of DECD and if certain conditions are met, designate other areas within the municipality as having the equivalent of Enterprise Zone level benefits. These designations include:

- **Entertainment District.** Once a municipality has been designated as having an entertainment district, projects within the Targeted Investment Community that are eligible for Enterprise Zone benefits include but are not limited to facilities producing live or recorded multimedia, and any support business

needed to support such projects. The cities of Bridgeport, New Britain, Stamford, and Windham are communities that have this designation.

- **Qualified Manufacturing Plant.** A qualified manufacturing plant is a manufacturing plant having an area of at least 500,000 square feet outside of an Enterprise Zone. The Town of Bristol and the City of New Britain are communities that have facilities with this designation.
- **Railroad Depot Zone.** A Targeted Investment Community with an abandoned or underutilized railroad depot area, outside of the Enterprise Zone, may qualify as a Railroad Depot Zone. A railroad depot is an area that abuts an active or inactive rail line and contains manufacturing or warehousing facilities that were originally dependent on railroad access to operate. East Hartford, Hamden, and Norwich contain Railroad Depot Zones.

In addition, the following are designated as having Enterprise Zone level benefits:

- Businesses engaged in biotechnology, pharmaceutical or photonics research, development, or production, with not more than 300 employees, located in a municipality with a major research university with programs in biotechnology, pharmaceuticals, or photonics, and an Enterprise Zone, are entitled to Enterprise Zone level benefits.
- **Enterprise Corridor Zones.** Enterprise Corridor Zones are located along Route 8 in the state's Naugatuck Valley and Interstate 395 in the eastern region of the state.

The municipalities designated by the Commissioner of DECD as located within Enterprise Corridor Zones are:

Ansonia	Lisbon	Sprague
Beacon Falls	Naugatuck	Sterling
Derby	Plainfield	Thompson
Griswold	Putnam	Torrington
Killingly	Seymour	Winchester

- **Contiguous Municipality Zone.** The Town of Plainville contains Connecticut's only designated Contiguous Municipality Zone.
- **Defense Plant Zone.** The Town of Stratford contains Connecticut's only Defense Plant Zone.
- **Manufacturing Plant Zone.** The Town of Bloomfield contains Connecticut's only designated Manufacturing Plant Zone.

Enterprise Corridor Zone municipalities and those municipalities containing a Contiguous Municipality Zone, a Defense Plant Zone, or a Manufacturing Plant Zone are not considered to be Targeted Investment Communities.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

How to Apply

A taxpayer may call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire.

Upon review of the completed questionnaire, a DECD staff representative will contact the taxpayer to explain the program and the formal application process.

If the formal application is approved, DECD will issue to the corporation Forms UT-4, Eligibility Certificate for Enterprise Zone Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

Credit Percentage

The credit amount applied against the Connecticut corporation business tax is 50% of the tax allocable to any manufacturing facility located within a designated Enterprise Zone (or other area designated as having Enterprise Zone level benefits).

To qualify for the 50% credit, the corporation must meet the employment criteria. If the employment criteria are not met, the corporation is only entitled to a 25% credit.

How to Compute the Credit

The tax credit is computed by using the arithmetical mean of two fractions (property and wages) to determine the portion of the corporation business tax liability that is allocable to the Connecticut manufacturing facility. This portion is then multiplied by 50%.

Property (numerator calculation)

Determine the average monthly net book value of the Connecticut manufacturing facility and the machinery and equipment acquired for and installed therein (without reduction for any encumbrance). If the facility is rented, the facility portion of the numerator is calculated by multiplying the annual gross rents payable for the manufacturing facility times eight.

Property (denominator calculation)

Determine the average monthly net book value of all real property and machinery and equipment located in Connecticut and the value of all real property and machinery and equipment rented by the corporation in Connecticut.

Wages (numerator calculation)

Determine the wages, salaries, and compensation of employees whose positions are directly attributable to the Connecticut manufacturing facility.

An employment position is directly attributable to the manufacturing facility if **all** of the following are true:

- The work is performed or the base of operations is at the facility;
- The position did not exist prior to the acquisition, construction, renovation, or expansion of the facility; **and**
- If not for the acquisition, construction, renovation, or expansion of the facility, the position would not have existed.

Wages (denominator calculation)

Determine the wages, salaries, and compensation paid to all Connecticut employees.

The credit period is ten years and begins with the first full income year following the year of issuance of the eligibility certificate and continues for the following nine income years.

If within the ten year period the facility ceases to qualify as a manufacturing facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates, and there is no pro-rata application of the credit during the income year in which the entitlement or occupancy terminates.

How to Claim the Credit

Complete **Form CT-1120 TIC/EZ**, *Manufacturing Facility Tax Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone*, to compute the credit. Attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Economic
and Community Development
505 Hudson Street
Hartford CT 06106-7107
860-270-8143
www.ct.gov/ecd*

References

Conn. Gen. Stat. §§12-217e, 32-9p, and 32-70; Conn. Agencies Regs. §32-9p-5

Notes

25% Manufacturing Facility Tax Credit

Description

A tax credit is available equal to 25% of the tax imposed under Chapter 208 of the Connecticut General Statutes allocable to a **manufacturing facility** located within:

- A **Targeted Investment Community**; or
- An Enterprise Zone (or other area having Enterprise Zone level benefits).

If the **manufacturing facility** meets the employment criteria, it may be eligible for the 50% credit. See *Employment Criteria*, Page 69.

This tax credit is administered by the Department of Economic and Community Development (DECD).

Definitions

Manufacturing facility means any plant, building, or other real property improvement that is constructed, renovated, expanded, or acquired and is used for one of the following purposes:

- Manufacturing, processing, or assembling of raw materials, parts, or manufactured products;
- Research and development facilities directly related to manufacturing;
- The significant servicing, overhauling, or building of machinery and equipment for industrial use;
- The warehousing and distribution in bulk of manufactured products on other than a retail basis (new construction only); or
- Certain service sectors located in an Enterprise Zone, as defined by the Commissioner of DECD in Conn. Agencies Regs. §32-9p-5.

For a complete definition of a manufacturing facility, see Conn. Agencies Regs. §32-9p-5.

Targeted Investment Community means any municipality in Connecticut that contains an Enterprise Zone designated under Conn. Gen. Stat. §32-70.

Credit Percentage

The tax credit amount applied against the tax imposed under Chapter 208 of the Connecticut General Statutes is 25% of the corporation business tax allocable to a manufacturing facility that has been certified by DECD.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

How to Apply

A taxpayer may call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire. Upon review of the completed questionnaire, a DECD staff representative will contact the taxpayer to explain the program and the formal application process.

If the formal application is approved, DECD will issue to the taxpayer Forms UT-4, Eligibility Certificate for Enterprise Zone Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

How to Compute the Credit

The tax credit is computed by using the arithmetical mean of two fractions (property and wages) to determine the portion of the corporation business tax liability allocable to the Connecticut manufacturing facility. This portion is then multiplied by 25%.

Property (numerator calculation)

Determine the average monthly net book value of the Connecticut manufacturing facility and machinery and equipment acquired for and installed therein (without reduction for any encumbrance). If the facility is rented, the facility portion of the numerator is calculated by multiplying the annual gross rents payable for the manufacturing facility times eight.

Property (denominator calculation)

Determine the average monthly net book value of all real property and machinery and equipment located in Connecticut and the value of all real property and machinery and equipment rented by the corporation in Connecticut.

Wages (numerator calculation)

Determine the wages, salaries, and compensation of employees whose positions are directly attributable to the Connecticut manufacturing facility. Wages are

directly attributable to the manufacturing facility if **all** of the following are true:

- The work is performed or the base of operations is at the manufacturing facility;
- The position did not exist prior to the acquisition, construction, renovation, or expansion of the manufacturing facility; **and**
- If not for the acquisition, construction, renovation, or expansion of the manufacturing facility, the position would not have existed.

Wages (denominator calculation)

Determine the wages, salaries, and compensation paid to all Connecticut employees.

The credit period is ten years and begins with the first full income year following the year of issuance of the eligibility certificate and continues for the following nine income years.

If within the ten year period the facility ceases to qualify as a manufacturing facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates, and there is no pro-rata application of the credit during the income year in which the entitlement or occupancy terminates.

How to Claim the Credit

Complete **Form CT-1120 TIC/EZ**, *Manufacturing Facility Tax Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone* to compute the credit. Attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct any inquiries to:

*Department of Economic
and Community Development
505 Hudson Street
Hartford CT 06106-7107
860-270-8143
www.ct.gov/ecd*

References

Conn. Gen. Stat. §§12-217e, 32-9p, and 32-70; Conn. Agencies Regs. §32-9p-5

Enterprise Zone Tax Credit for Qualifying Corporations

Description

A tax credit administered by the Department of Economic and Community Development (DECD) may be applied against the tax imposed under Chapter 208 of the Connecticut General Statutes by a **qualifying corporation** established in an area designated for enterprise zone level benefits and that meets certain employment levels.

Definitions

Qualifying corporation means a corporation that is created on or after January 1, 1997, (incorporated on or after the date) in an enterprise zone or other area designated as having enterprise zone level benefits, and which either:

- Has 375 or **more** employees, at least 40% of whom:
 - Are residents of the municipality in which the enterprise zone is located; **and**
 - Qualify under the federal Workforce Investment Act (WIA);

OR

- Has **fewer** than 375 employees, at least 150 of whom:
 - Are residents of the municipality in which the enterprise zone is located; **and**
 - Qualify under the federal WIA.

An **Enterprise Zone** is any area designated by the Commissioner of DECD as an Enterprise Zone. A municipality with a designated Enterprise Zone is defined as a **Targeted Investment Community**.

Areas that are currently designated as enterprise zones are situated within the following municipalities:

Bridgeport	Meriden	Norwich
Bristol	Middletown	Southington
East Hartford	New Britain	Stamford
Groton	New Haven	Waterbury
Hamden	New London	Windham
Hartford	Norwalk	

In addition, the following locations are designated as having enterprise zone level benefits:

- Enterprise Corridor Zones;
- Qualified Manufacturing Plant;
- Railroad Depot Zones;
- Contiguous Municipality Zone;
- Defense Plant Zone; **and**
- Manufacturing Plant Zone.

Enterprise Corridor Zones are located along Route 8 in the state's Naugatuck Valley and Interstate 395 in the eastern region of the state.

The municipalities designated by the Commissioner of DECD as located within Enterprise Corridor Zones are:

Ansonia	Lisbon	Seymour
Beacon Falls	Naugatuck	Sprague
Derby	Plainfield	Sterling
Griswold	Putnam	Thompson
Killingly		

Qualified Manufacturing Plant means a manufacturing facility designated by the Commissioner of DECD as a Qualified Manufacturing Plant. The benefits available to an eligible corporation completing an approved project in a Qualified Manufacturing Plant are the same as in an Enterprise Zone and subject to the same qualifying terms and conditions.

Railroad Depot Zone means an area designated by the Commissioner of DECD as a Railroad Depot Zone. It abuts an active or inactive rail line and contains manufacturing or warehousing facilities that were originally dependent on railroad access to operate.

The Contiguous Municipality Zone, the Manufacturing Plant Zone, and the Defense Plant Zone are areas designated by the Commissioner of DECD as having enterprise zone level benefits. The municipalities containing these zones are **not** considered to be Targeted Investment Communities. The town of Plainville contains the only designated Contiguous Municipality Zone. The town of Bloomfield contains the only designated Manufacturing Plant Zone. The state's only Defense Plant Zone is located in Stratford.

Credit Percentage

The credit amount is equal to:

- 100% of the corporation business tax liability in years 1 through 3; **and**
- 50% of the corporation business tax liability in years 4 through 10.

Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

How to Apply

Corporations may call DECD at 860-270-8143 and request the Enterprise Zone Program pre-application questionnaire.

Upon review of the completed pre-application questionnaire, a DECD staff representative will contact the corporation to discuss the program further and to explain the formal application process. The completion of the initial questionnaire does not constitute a formal application for the credit.

Once a formal application is approved, DECD will issue to the corporation Forms UT-4, Eligibility Certificate for Enterprise Zone Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

How to Claim the Credit

Enter the available tax credit on **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Economic and
Community Development
505 Hudson Street
Hartford CT 06106
860-270-8143*

www.ct.gov/ecd

References

Conn. Gen. Stat. §§12-217v, 32-9p, and 32-70

Urban and Industrial Site Reinvestment Tax Credit

Description

A tax credit is available to be applied against any combination of the taxes imposed under Chapters 207, 208, 208a, 209, 210, 211, 211b, 212, 212a, or Section 38a-743 of the Connecticut General Statutes for **investments in eligible industrial site investment projects or eligible urban reinvestment projects**. This credit is administered by the Department of Economic and Community Development (DECD).

The Commissioner of DECD may register managers of funds and community development entities created for the purpose of investing in eligible urban reinvestment projects and eligible industrial site investment projects. Any fund manager or community development entity will have its primary place of business in Connecticut. Any fund manager registered under the Insurance Reinvestment Fund Tax Credit on or before July 1, 2000, will be eligible to serve as a fund manager for purposes of this credit.

No taxpayer will be eligible for this tax credit and the tax credit for manufacturing and service facilities or the insurance reinvestment fund tax credit for the same investment. No two taxpayers will be eligible for any tax credit with respect to the same investment or the same project costs.

Definitions

Investment means all amounts invested in an eligible **project** by or on behalf of a taxpayer whether directly, through a fund, or through a community development entity, including but not limited to equity investments made by the taxpayer and loans.

Project means the acquisition, leasing, demolition, remediation, construction, renovation, expansion or other development, or redevelopment of real property and improvements within Connecticut, including furniture, fixtures, equipment, associated interest and financing costs, relocation costs, start-up costs, architectural, engineering, legal and other professional services, plans, specifications, surveys, permits, and studies necessary to the project.

Eligible industrial site investment project means a project located in Connecticut for the development or redevelopment of real property:

- That has been subject to a **spill**, as defined in Conn. Gen. Stat. §22a-452c, is an **establishment**, as defined in Conn. Gen. Stat. §22a-134(3), as amended, or is a **facility**, as defined in 42 USC §9601(9);
- That, if remediated, renovated, or demolished in accordance with applicable law and regulations and the standards of remediation of the Department of Environmental Protection and used for business purposes will add significant new economic activity and employment in the municipality in which the investment is to be made and will generate additional tax revenues to Connecticut;
- For which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to the project;
- The business use of which would be economically viable and would generate direct and indirect economic benefits to Connecticut that exceed the amount of the investment during the period for which the tax credits are granted; **and**
- That is, in the judgment of the commissioner of DECD, consistent with the strategic economic development priorities of the state and the municipality.

Eligible urban reinvestment project means a project:

- That would add significant new economic activity and new jobs in a new facility in the eligible municipality in which the project is located and will generate significant additional tax revenues to the state or the municipality;
- For which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to an eligible municipality;
- That is economically viable;
- For which the direct and indirect economic benefits to the state outweigh the costs of the project; **and**
- That is, in the judgment of the Commissioner of DECD, consistent with the strategic economic development priorities of the state and the municipality.

How to Apply

Any taxpayer, fund manager, or community development entity wishing to make an investment may call DECD at 860-270-8045 and request the Urban and Industrial Site Reinvestment Program pre-application.

Upon review of the completed pre-application, a DECD staff representative will contact the taxpayer, fund manager, or community development entity to discuss the program further and to explain the formal application process. The completion of the pre-application does not constitute a formal application for the tax credit.

Once a formal application is approved, the Commissioner of DECD will issue a certificate of eligibility certifying that the applicant has complied with the provisions of this credit.

The credit may be claimed by a taxpayer who has made an investment:

- Directly of at least \$5 million in a qualified urban or industrial site project;
- Directly of at least \$50 million in a municipality approved by the Commissioner of DECD;
- Through a DECD approved fund manager with a fund that has a total asset value of at least \$60 million for the income year in which the initial credit is taken and not less than three investors who are not related persons; **or**
- Through a DECD approved community development entity.

Assignment

Any taxpayer allowed an urban and industrial reinvestment tax credit (assignor) may assign the credit to another taxpayer or taxpayers (assignees). Assignees of the tax credit must claim the tax credit in the same tax year that the assignor would have been eligible to claim the credit. An assignee may not further assign the credit.

How to Claim the Credit

Complete **Form CT-UISR**, *Urban and Industrial Site Reinvestment Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Credit Percentage

The tax credit is allowable over ten years as follows:

- The income year in which the investment was made and the two succeeding income years, 0%;
- The third full income year following the year in which the investment was made and the three succeeding income years, 10%; **and**
- The seventh full income year following the year in which the investment was made and the two succeeding income years, 20%.

Carryforward/Carryback Limitations

The tax credit may be carried forward for the five immediately succeeding income years until the full tax credit has been taken. No carryback is allowed. An assignee is entitled to carryforward any unused tax credit as provided in the statute.

Recapture Provision

No later than July 1 in each year that tax credits are claimed, the Commissioner of DECD may conduct a study to estimate the state revenue generated by the eligible project in which the investment is made. If the sum of all state revenue actually generated by the project is less than the amount of the total sum of tax credits claimed on the date of the analysis, the Commissioner of DECD may determine an applicable recapture amount and may revoke the certificate of eligibility.

Any taxpayer that has claimed credits related to a project for which the Commissioner of DECD has revoked the certificate of eligibility will be required to recapture its pro-rata share of the recapture amount, and no subsequent credit will be allowed unless the certificate of eligibility is reinstated. The amount of the credit that the taxpayer is required to recapture varies depending upon the year in which the tax credit is required to be recaptured as follows:

Year	Percentage
Year 4	90%
Year 5	65%
Year 6	50%
Year 7	30%
Year 8	20%
Years 9-10	10%

The Commissioner of the Department of Revenue Services may recapture the credit first from any taxpayer who claimed the credit, then from any taxpayer who assigned the credit, and finally, from any fund through which the investment was made.

Where to Get Additional Information

Direct inquiries to:

*Department of Economic
and Community Development*

505 Hudson Street

Hartford CT 06106-7107

860-270-8045

www.ct.gov/ecd

References

Conn. Gen. Stat. §32-9t

Notes

Small Business Guaranty Fee Tax Credit

Description

A tax credit is allowed against the tax imposed under Chapter 208 of the Connecticut General Statutes in an amount equal to the amount paid during the income year by a **small business** to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing.

Definition

Small business means any business entity qualifying as a small business under 13 CFR Part 121, which has gross receipts of \$5 million or less for the income year in which the credit is first allowed.

Credit Amount

The tax credit is equal to the amount paid during the income year as a guaranty fee to the federal Small Business Administration.

Carryforward/Carryback Limitations

Any unused amount of the credit may be carried forward to any of the four succeeding income years. No carryback is allowed.

How to Claim the Credit

Complete **Form CT-1120 SBA**, *Small Business Administration Guaranty Fee Tax Credit*, and attach it to **Form CT-1120K**, *Business Tax Credit Summary*.

Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106*

*1-800-382-9463 (Connecticut calls outside the
Greater Hartford calling area only), or
860-297-5962 (from anywhere)*

www.ct.gov/DRS

References

Conn. Gen. Stat. §12-217cc

Credit Chart

Credit Name	Statutory Authority	Credit May be Applied Against Tax Imposed Under Conn. Gen. Stat.	Additional Notes
Apprenticeship Training Tax Credit in Manufacturing, Plastics, Plastics-Related, or Construction Trades	§12-217g	Ch 208	
Clean Alternative Fuel Tax Credit (10%) for Vehicles	§12-217i(a)	Chs 208, 209, 210, 211, 212	Expired 1/1/08
Clean Alternative Fuel Tax Credit (50%) for Equipment and Related Filling or Recharging Stations	§12-217i(b)	Ch 208	Expired 1/1/08
Computer Donation Tax Credit	§10-228b	Chs 207, 208, 209, 210, 211, 212	
Digital Animation Tax Credit	§12-217ll	Chs 207, 208	Assignable
Displaced Electric Worker Tax Credit	§12-217bb	Ch 208	
Displaced Worker Tax Credit	§12-217hh	§12-202, §12-210 or Chs 208, 212	Credit may NOT be applied against tax imposed under §12-202a
Donation of Land Tax Credits	§12-217dd, §12-217ff	§12-217	
Electronic Data Processing Equipment Property Tax Credit	§12-217t	Chs 207, 208, 208a, 209, 210, 211, 212	
Employer-Assisted Housing Tax Credit	§12-217p	Chs 207, 208, 209, 210, 211, 212	Repealed 6/7/06
Enterprise Zone Tax Credit for Qualifying Corporations	§12-217v	Ch 208	
Entertainment Infrastructure Tax Credit	§12-217kk	Chs 207, 208	Assignable
Film Production Tax Credit	§12-217jj	Chs 207, 208	Assignable
Financial Institutions Tax Credit	§12-217u	Ch 208	
Fixed Capital Investment Credit	§12-217w	Ch 208	
Hiring Incentive Tax Credit	§12-217y	Ch 208	
Historic Investment Tax Credit	§10-416b	Chs 207, 208, 209, 210, 211, 212	Assignable
Historic Homes Rehabilitation Tax Credit	§10-416	Chs 207, 208, 209, 210, 211, 212	NOT Assignable
Historic Structures Rehabilitation Tax Credit	§10-416a	Chs 207, 208, 209, 210, 211, 212	Assignable
Housing Program Contribution Tax Credit	§8-395	Chs 207, 208, 209, 210, 211, 212	
Human Capital Investment Tax Credit	§12-217x	Ch 208	
Insurance Reinvestment Fund Tax Credit	§38a-88a	§38a-743 or Chs 207, 208, 229	Assignable, Fund Closed
Machinery and Equipment Expenditure Tax Credit	§12-217o	Ch 208	
Neighborhood Assistance Act Program Tax Credit	§§12-631 – 12-638	§12-202, §12-210 or Chs 208, 209, 210, 211, 212	Credit may NOT be applied against tax imposed under §12-202a
New Jobs Creation Tax Credit	§12-217ii	§12-202, §12-210 or Chs 208, 212	Credit may NOT be applied against tax imposed under §12-202a
Research and Development (Nonincremental) Expenditures Tax Credit	§12-217n	Ch 208	Exchangeable
Research and Development Tax Credit for Grants to Institutions of Higher Education	§12-217l	Ch 208	
Research and Experimental (Incremental) Expenditures Tax Credit	§12-217j	Ch 208	Exchangeable
Service Facility Tax Credit	§12-217e	Ch 208	
Small Business Guaranty Fee Tax Credit	§12-217cc	Ch 208	
50% Manufacturing Facility Tax Credit for Facilities Located in an Enterprise Zone (or Other Area Having Enterprise Zone Level Benefits)	§12-217e	Ch 208	
25% Manufacturing Facility Tax Credit	§12-217e	Ch 208	
Urban and Industrial Site Reinvestment Tax Credit	§32-9t	§38a-743 or Chs 207, 208, 208a, 209, 210, 211, 211b, 212, 212a	Assignable

**State of Connecticut
Department of Revenue Services**

Mission Statement

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient, and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

Connecticut Taxpayer Service Center

Visit the new Taxpayer Service Center (TSC) to file, pay, and review some Connecticut business tax account information!

Various Connecticut Business tax forms can be filed, at no charge, by Internet using TSC.

Visit the DRS website at www.ct.gov/DRS for more information about TSC eligible taxes.



Telephone	Tax Information		Forms and Publications	
	For telephone assistance, call our Taxpayer Services Division at 1-800-382-9463 (Connecticut calls outside the Greater Hartford calling area only); or 860-297-5962 (from anywhere).		1-800-382-9463 (Connecticut calls outside the Greater Hartford calling area only) and select Option 2 ; or 860-297-4753 (from anywhere).	
Write	Department of Revenue Services Taxpayer Services Division 25 Sigourney Street Hartford CT 06106-5032		Department of Revenue Services Forms Unit 25 Sigourney Street Hartford CT 06106-5032	
Walk-In Offices* Free personal taxpayer assistance and forms are available by visiting our offices, Monday through Friday, 8:00 a.m. to 5:00 p.m. Call CONN-TAX for directions to DRS offices. If you require special accommodations, please advise the DRS representative.	Location	Address		Phone**
	Bridgeport	10 Middle Street		203-336-7890
	Hartford	25 Sigourney Street		860-297-5962
	Norwich	2 Cliff Street		860-425-4123
	Hamden	3074 Whitney Avenue, Building #2		203-287-8243
	Waterbury	55 West Main Street, Suite 100		203-805-6789
	* Office hours for the Hartford office are Monday through Friday, 8:00 a.m. to 5:00 p.m.; all other locations have office hours, Monday through Friday, 8:30 a.m. to 4:30 p.m.			

Federal Tax Information For questions about federal taxes , visit www.irs.gov or contact the Internal Revenue Service (IRS) at 1-800-829-1040. To order federal tax forms , call 1-800-829-3676.	Statewide Services Visit the ConneCT website at www.ct.gov for information on statewide services and programs.
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