



# Tax Incentives

The State of Connecticut and local cities and towns offer a wide variety of tax incentives that encourage business investment. Numerous tax credits, tax exemptions, and tax abatements are available at the state level, while municipalities can offer property tax incentives based on certain levels of capital investment.

DECD's Office of Business and Industry Development helps companies identify specific tax incentives that will positively impact the bottom line and improve long-term competitiveness. The following is a list of tax incentives in Connecticut:

## Tax Credit Programs

### Urban and Industrial Site Reinvestment Tax Credit

Dollar-for-dollar corporate tax credit of up to 100% for an investment up to a maximum of \$100 million in an urban area or an industrial project; minimum investment is \$5 million in distressed communities and \$50 million in all other communities.

### Film Production & Digital Media Tax Credit

A tax credit equal to 30% of qualified digital media and motion picture production, pre-production and post-production expenses in the state that exceed \$50,000.

### Job Creation Tax Credit

A corporate business tax credit for companies that hire at least 10 new employees for a minimum of a 12-month period; the tax credit can be up to 60% of the state income tax withheld from the employee's wage and the credit applies for 5 consecutive years.

### Research and Development Tax Credits

A tax credit equal to 20% of the R&D expenditures in Connecticut in the current income year exceeding R&D expenditures of the prior taxable year; unused R&D credits can be carried forward and, for companies with gross income of \$70 million or less, can be sold to the state for 65% of their value; credit equal to 100% of property taxes owed and paid on electronic data processing hardware peripheral equipment and software; credit may be applied against certain other CT taxes.

A 5% tax credit for companies with 251 to 800 full-time permanent employees in Connecticut; from 1-6% of R&D expenditures based on the amount of such expenditures and size of company.

### Fixed Capital Tax Credit

A 5% tax credit for fixed capital investment in tangible personal property; a 5% tax credit for investments in human capital: employee training, childcare, facilities and subsidies and donation to higher education for advancement of technology.

### Machinery and Equipment Tax Credit

A 10% tax credit for increased investment in machinery and equipment for companies with 250 or fewer full-time permanent employees in Connecticut.

### Financial Services Tax Credit

Financial institutions constructing new facilities and adding new employees can receive a credit of as much as 50% of the tax for up to 10 years; may be extended for an additional 5 years; based on size of the facility and level of employment.

### **Angel Investor Tax Credit**

A tax credit for angel investors with a cash investment of \$100,000 or more in a qualified Connecticut business. The credit shall be equal to 25% of the investor's cash investment. Total tax credits allowed shall not exceed \$250,000 for any angel investor. Qualified businesses must apply to Connecticut Innovations and be approved to be eligible for a tax credit.

## **Economic Development Zone Programs**

### **Enterprise Zone**

Qualifying corporations established within an enterprise zone can receive a 5-year, 80% real and personal property tax abatement and a 10-year, 25% up to 50% corporate business tax credit. There are a total of 17 municipalities with a designated enterprise zone.

### **Bradley Development Zone**

Enterprise Zone level benefits in designated areas in the towns of Windsor, Windsor Locks, East Granby, and Suffield.

## **Tax Exemptions**

### **Corporate Business Tax Exemptions**

All insurance companies, Connecticut incorporated and non-Connecticut incorporated; corporate income, insurance premium and sales and use taxes for certain banks, insurers and investment companies locating in the Hartford Financial Service Export Zone that conduct all business with non-U.S. persons; capital gains from the sale of protected open space or Class I or II water company land to the state or certain entities; non-U.S. corporations of which their sole activities in Connecticut are trading stocks, securities or commodities of their own account.

### **Real & Personal Property Tax Exemptions**

Up to 100% for 5 years on newly acquired and installed manufacturing machinery and equipment eligible for 5-7 year depreciation; The local property tax on manufacturing machinery and equipment in Connecticut will be phased out at a rate of 20% per year over the five-year period from 2007 to 2011; 100% for inventories; 30-100% from the increase assessment for personal property for manufacturers and 20-50% for eligible real property improvements can be offered by towns for 2-7 years, depending on the investment amount; 100% for unbundled software, machinery & equipment that will be exempt under 12-81 (72) once installed and used; 100% for 5 years on new commercial motor vehicles weighing over 26,000 lbs. That is used to transport freight for hire and all new commercial vehicles weighing over 55,000 lbs.

### **Sales and Use Tax Exemption**

Sales and use tax relief on the purchase of tangible personal property for qualifying retention and expansion projects or projects that significantly contribute to a targeted industry cluster. The minimum investment in eligible property must equal \$5 million and a total award must not exceed \$10,000 per new job created and \$2,000 for each retained position.

### **Renewable Energy Sales and Use Tax Exemption**

A sales and use tax exemption on machinery, equipment, tools, materials, supplies and fuel used directly in the renewable energy and clean energy technology industries. Renewable energy and clean energy technology industries mean industries that apply technologies to produce, improve or develop solar energy electricity generating systems, passive or active solar water or space heating systems, geothermal resource systems and wind power electric generation systems, including equipment related to such systems.

### **Municipal Property Tax Abatement**

Connecticut cities and towns can provide real and personal property tax abatements under C.G.S. 12-65b – 12-65h.