



# OFA ◇ OLR RESEARCH REPORT

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## ENTERPRISE ZONES

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You asked a series of questions about the enterprise zone program. Specifically, you asked (1) for a legislative history of the program; (2) for a summary of the program benefits and the differences across the various subprograms, including how many new zones are receiving some form of enterprise zone benefits; (3) what communities are in enterprise zones; (4) how many companies are receiving enterprise zone benefits; (5) what funding source pays for the benefits and the balance of that fund; and (6) how Connecticut's program compares to those in specified nearby states.

This report updates in part OLR Report [2007-R-0446](#), which also contains more information on the program's administration and evaluation criteria.

### SUMMARY

The enterprise zone program offers various tax incentives and other benefits for businesses operating in designated economically distressed areas. The program, jointly administered by the state and participating towns, is intended to assist businesses operating in these areas as well as to foster community development. The specific goals of the program include increasing private investment, expanding the tax base, creating jobs, providing job training, and reducing property abandonment and housing blight.

In 1981, Connecticut became the first state to establish an enterprise zone program, when it authorized the economic development commissioner (now, the economic and community development (DECD) commissioner) to designate six zones. The legislature has amended the program numerous times since then. For example, it expanded the number of zones; changed the eligibility criteria for zone designation; authorized the designation of other areas that receive equivalent benefits;

added and modified zone incentives; and added to the types of businesses eligible for benefits under the program. We have prepared a separate report, 2011-R-0314, summarizing the various changes to the enterprise zone program since its inception.

Generally, an enterprise zone comprises areas at least partially zoned for commercial or industrial activity, located in a town that meets specified demographic criteria. The law explicitly authorizes 15 enterprise zones, all of which have been designated. Designation criteria include measures of economic distress, such as the percentage of the population who are below the poverty level, on public assistance, or unemployed. The law also authorizes the designation of additional zones under narrow criteria, and two have been designated. To gain designation, towns propose zones based on the required criteria and DECD approves them.

The law allows nine other types of related zones. Some of these zones must be in or near towns with enterprise zones (e.g., railroad depot zones must be located outside of an enterprise zone but in a town with a zone; contiguous municipality zones must be adjacent to zones in another town). The criteria governing the other zones also tend to limit their number. For example, defense plant zones can only be designated in towns hurt by major defense cuts or defense plant closures; the Bradley Airport Development Zone is in specified sections of four towns near Bradley International Airport.

Enterprise zones, as well as the various related zones, offer generally the same types of incentives—e.g., property tax exemptions and corporation business tax credits. In most cases, a business must improve property and create new jobs to qualify for incentives. Towns with enterprise zones are eligible for additional incentives, such as increased funding for municipal and business development projects under the Manufacturing Assistance Act program and funds to clean up certain contaminated sites.

Enterprise zone incentives are geared mainly toward manufacturers and other businesses that do most of their business out of the state. Specified service firms, such as financial or health services, are also eligible for benefits. Some of the other zones that receive similar benefits are geared toward specific types of businesses. For example, benefits for

entertainment district businesses are available for facilities that are used to produce entertainment and related support services. While most of the benefits are for commercial properties, residential real property improvements are also eligible for property tax exemptions.

Under the program, DECD certifies whether a business is eligible for the property tax exemptions and the corporation business tax credits, and local tax assessors process the exemption. Towns apply to the Office of Policy and Management for grants covering a portion of the subsequent revenue loss. Businesses claim the corporate business tax credits when they file their tax returns with the Department of Revenue Services.

From November 1, 2009 through October 31, 2010, DECD certified 47 companies for enterprise zone-related incentives. In FY 2010, the 50% state reimbursement for the enterprise zone property tax abatements totaled over \$7 million, paid from the general fund. The state tax expenditure for the tax credit for manufacturing facilities was over \$1 million.

Many states have similar programs offering tax and other incentives to businesses in designated economically distressed areas. Some programs are open generally throughout a state but provide additional benefits in certain areas. While state programs share similar goals of business and economic development, the programs vary widely in terms of the specific benefits, eligibility criteria, and other program details.

Please note that this report does not discuss business incentive zones that do not confer enterprise zone or related benefits (e.g., Housing Development Zones, which are authorized by CGS § 8-376, although none have been designated).

## **ENTERPRISE ZONES AND RELATED ECONOMIC DEVELOPMENT ZONES**

Table 1 describes the criteria for enterprise zones. The legislature initially authorized six zones and subsequently increased the number to 10 in 1986 and 15 in 1993. Each time the legislature increased the number of zones, it modified the designation criteria. The legislature also adopted narrow criteria under which the DECD commissioner could designate zones in addition to the 15 explicitly authorized ones. Two zones have been added this way.

**Table 1: Enterprise Zones**

Zone Type	Town Eligibility Criteria	Zone Designation Criteria	Towns with Zones
<p>Statutorily Authorized Enterprise Zones Designated between 1981-1993 (CGS § 32-70)</p>	<p>PA 81-445 authorized six zones.</p> <ul style="list-style-type: none"> <li>• Three in towns with more than 80,000 people</li> <li>• Three in towns with fewer than 80,000 people</li> </ul> <p>PA 86-258 authorized four additional zones in state-designated distressed municipalities, three of which must have fewer than 80,000 people</p>	<p>Criteria for zones designated between 1981-1993 (10 zones)</p> <p><i>Size</i></p> <p>One or two contiguous census tracts partially zoned for commercial or industrial activity</p> <p><i>Demographic</i></p> <ul style="list-style-type: none"> <li>• Option 1: At least: <ul style="list-style-type: none"> <li>• 25% of tracts' population have incomes below poverty,</li> <li>• 25% of that population receives public assistance, or</li> <li>• 25% of the tracts' labor force is unemployed (this was later changed to twice the state average)</li> </ul> </li> <li>• Option 2: <ul style="list-style-type: none"> <li>• One tract meets the above criteria</li> <li>• These criteria are reduced (to 15% of the population below the poverty level or on public assistance or unemployment at 150% of the state average) for one of the two tracts if the commissioner determines that a significant number of jobs can be created in that tract</li> </ul> </li> </ul>	<p>Bridgeport Bristol East Hartford Groton Hartford Meriden Middletown New Britain New Haven New London Norwalk Norwich Stamford Waterbury Windham</p>
<p>Statutorily Authorized Enterprise Zones Designated after 1993 (CGS § 32-70)</p>	<p>PA 93-331 authorized additional zones:</p> <ul style="list-style-type: none"> <li>• two zones in towns with fewer than 80,000 people that experienced a major military base or plant closure and</li> <li>• three zones in towns (one with more than 80,000 people) experiencing the largest increase in: <ul style="list-style-type: none"> <li>• unemployment rate,</li> <li>• number and percentage of school children receiving free and reduced price lunches,</li> <li>• public assistance caseloads, and</li> <li>• percent of unused industrial and commercial space</li> </ul> </li> </ul>	<p>For the two zones designated because of base or plant closure, the town can designate the area where the base or plant closed or another area meeting the above criteria</p> <p>The zones in the other three towns must also meet the above criteria</p>	
<p>Zones Designated at the Commissioner's Discretion under Statutory Criteria (CGS § 32-70(b))</p>	<ul style="list-style-type: none"> <li>• Under PA 86-258, towns contiguous to the 15 towns with statutorily authorized zones</li> <li>• Under PA 95-64, a town experiencing a major plant closing qualifies for a zone if the company previously closed a plant in another town whose enterprise zone was approved for that reason under PA 93-331</li> </ul>	<p>Under PA 86-258, the area bordering the statutorily approved zone must meet the reduced criteria under Option 2 above</p> <p>Under PA 95-64, the zone designation criteria are the same as those for the town with the statutorily authorized zone</p>	<p>Hamden (under PA 86-258) Southington (under PA 95-64)</p>

In addition to enterprise zones, the law authorizes nine types of economic development zones that confer benefits similar to those for enterprise zones. We divide these other types of zones into three groups: zones allowed only in towns with enterprise zones, zones allowed only in towns bordering a town with an enterprise zone, and zones allowed in any town meeting statutory criteria. Table 2 describes the other types of zones the law allows only in towns with enterprise zones.

**Table 2: Other Zones Allowed Only in Towns with Enterprise Zones**

<b>Zone Type</b>	<b>Zone Designation Criteria</b>	<b>Towns with Zones</b>
Entertainment District (CGS § 32-76)	No limit on district size or criteria for designating geographic areas (eligible entertainment businesses qualify for district benefits regardless of whether they are located in the district)	Bridgeport New Britain Stamford Windham
Railroad Depot Zones (CGS § 32-75a)	Abandoned or underutilized railroad depot located outside of enterprise zone	East Hartford Hamden Norwich
Qualified Manufacturing Plant (CGS § 32-75c(b))	<ul style="list-style-type: none"> <li>• Vacant or underutilized manufacturing plant</li> <li>• Located outside the zone</li> <li>• Minimum 500,000 square feet</li> </ul>	Bristol New Britain

Table 3 describes the zones that are allowed only in towns that border an enterprise zone in another town. As the table shows, the criteria for designating these zones are also very narrow.

**Table 3: Zones Allowed Only in Towns Bordering Towns with Enterprise Zones**

<b>Zone Type</b>	<b>Zone Designation Criteria</b>	<b>Towns with Zones</b>
Qualified Manufacturing Plant (CGS § 32-75c(a))	<ul style="list-style-type: none"> <li>• Town must have fewer than 20,000 people</li> <li>• Manufacturing facility must have at least 180,000 square feet, been formerly used for printing and allied industries, and be located in a census tract that <ul style="list-style-type: none"> <li>• is contiguous to a Targeted Investment Community (the town with the zone) and a census tract containing a low- and moderate-income housing project in the town with the zone,</li> <li>• includes at least 100 acres of vacant land zoned for industrial, commercial, or other significant economic uses, and</li> <li>• is bounded in part by a railroad track and a stream</li> </ul> </li> </ul>	Bloomfield
Contiguous Municipality Zone (CGS § 32-70(b)(3))	<ul style="list-style-type: none"> <li>• Any census tracts adjacent to the enterprise zone in the other town (tracts do not have to meet statutory size and distress criteria)</li> <li>• Legislative body of the enterprise zone town must approve the designation</li> </ul>	Plainville

Towns do not have to have enterprise zones or border a town with a zone to have a defense plant, enterprise corridor, bioscience corridor, or airport development zone. But, as Table 4 shows, the criteria for designating these zones are narrow. For example, only two or more contiguous towns, each meeting very specific population, economic, and geographic criteria can designate an enterprise corridor zone.

**Table 4: Zones Allowed in any Town Meeting Statutory Criteria**

<b>Zone Type</b>	<b>Town Eligibility Criteria</b>	<b>Zone Designation Criteria</b>	<b>Towns with Zones</b>
Defense Plant Zone (CGS § 32-56)	<p>Defense cuts, which must:</p> <ul style="list-style-type: none"> <li>• have resulted in (1) cancellation or significant reduction of prime defense contracts or subcontracts or (2) the closure of a major aerospace or defense plant with at least 800 employees,</li> <li>• have caused or will cause the loss of employment opportunities in the town, and</li> <li>• have or will severely impact the town</li> </ul>	Property occupied by a business facility severely affected by defense cuts	Stratford Cheshire has applied for designation
Enterprise Corridor Zones (CGS § 32-80)	<p>Two or more contiguous towns, each of which:</p> <ul style="list-style-type: none"> <li>• is a state designated public investment community (53 towns for FY 12) and a distressed municipality (25 towns);</li> <li>• has no more than 40,000 people;</li> <li>• has an average unemployment rate that exceeds the state's average as reported by the labor commissioner on the preceding July 1 for the most recent 12-month period; and</li> <li>• has an average per capita income less than the state's average, according to the last census or the U.S. Census Bureau's population report for the preceding January 1, whichever is most recent</li> </ul> <p>At least one of the towns must be located along an interstate highway, a limited access state highway, or intersecting interstate or limited access state highway</p> <p>At least one town must have been designated as a regional center on the State Plan of Conservation and Development's locational guide map</p>	Zone covers each town	<p>Route 8 Zone: Ansonia Beacon Falls Derby Naugatuck Seymour</p> <p>Interstate 395 Zone: Griswold Killingly Lisbon Plainfield Putnam Sprague Sterling Thompson</p> <p>Northwestern Connecticut Zone: Torrington Winchester</p>

Zone Type	Town Eligibility Criteria	Zone Designation Criteria	Towns with Zones
Bioscience Enterprise Corridor Zone (CGS § 32-41s)	<ul style="list-style-type: none"> <li>• Hartford;</li> <li>• certain census blocks and block groups in Farmington;</li> <li>• certain census blocks, block groups, and tracts in New Britain;</li> <li>• certain census tracts in Bristol;</li> <li>• specified areas and census tracts and blocks within Plainville (including Technology Park); and</li> <li>• any municipality which has (1) a major research university with programs in bioscience, biotechnology, pharmaceuticals, or photonics and (2) an enterprise zone</li> </ul>	<p>Businesses with no more than 300 employees at all times during the previous 12 months that are engaged in bioscience, biotechnology, pharmaceutical, or photonics research, development, or production in the state</p> <p>An eligible commercial property is (1) real or personal property that an eligible business has owned or leased and used at all times during the preceding 12 months or (2) real property that the DECD commissioner or Connecticut Innovations, Incorporated has certified as new or substantially renovated and expanded primarily for occupancy by one or more eligible businesses</p>	Bristol Farmington Hartford New Britain Plainville
Airport Development Zone (CGS § 32-75d) (effective October 1, 2011)	<p>Specified census blocks as assigned on October 1, 2011, in the towns of Windsor Locks, Suffield, East Granby, and Windsor (the area surrounding Bradley International Airport)</p> <p>(The Governor vetoed PA 11-142, which would have created a second airport development zone in specified census tracts in Middlebury, Oxford, and Southbury, in the area surrounding Oxford airport)</p>		Effective October 1, 2011: East Granby Suffield Windsor Windsor Locks

## ZONE INCENTIVES

The law authorizes property and corporate business tax incentives for developing property in enterprise zones or the other zones described above. As Table 5 shows, both incentives are available in all of the zones.

Manufacturers and specified service firms qualify for incentives in most of the zones, with certain exceptions. For example, in entertainment districts, the benefits are available for a wide range of entertainment and entertainment-related businesses. In the airport development zone, benefits are available to a narrower range of businesses compared to enterprise zones.

**Table 5: Zone Incentives**

<b>Zones</b>	<b>Benefit Package</b>	<b>Eligible Businesses</b>
<ul style="list-style-type: none"> <li>● Enterprise Zones</li> <li>● Enterprise Corridor Zones</li> <li>● Railroad Depot Zones</li> <li>● Qualified Manufacturing Plants</li> <li>● Contiguous Municipality Zones</li> <li>● Bioscience Enterprise Zones</li> <li>● Entertainment Districts</li> </ul>	<p>For facility improvements:</p> <ul style="list-style-type: none"> <li>● Five-year property tax exemption (80% of improvement's value) for facility improvements and machinery and equipment purchases. The state generally reimburses the municipality for half of the property tax revenue it forgoes because of the exemption. For service facilities located outside of an enterprise zone in a targeted investment community, the exemption varies depending on the amount of the investment in the facility (e.g., 40% for investment of \$20 million to \$39 million), to a maximum of 80% for investments over \$90 million (CGS § 12-81(59) &amp; (60)).</li> <li>● 10-year, 25% corporate business tax credit attributed to facility improvements (credit increases to 50% if business is located in enterprise zone or municipality with entertainment district and meets specified goals concerning the percentage or number of employees who are residents of the zone or municipality). For service facilities located outside of an enterprise zone in a targeted investment community, the credit varies from 15% to 50% depending on the number of new employees working at the facility (CGS § 12-217e).</li> </ul> <p>For starting a new business (a specified number or percentage of employees must reside in the zone or town where zone is located and meet other criteria):</p> <ul style="list-style-type: none"> <li>● 10-year corporate business tax credit for new companies locating in the zones:               <ul style="list-style-type: none"> <li>● 100% for first three years and</li> <li>● 50% for next seven years (CGS § 12-217v).</li> </ul> </li> </ul> <p>For commercial and residential real property improvements (other than to manufacturing facilities) in enterprise zones:</p> <ul style="list-style-type: none"> <li>● 7-year exemption on the value of improvements:               <ul style="list-style-type: none"> <li>● 100% in first two years,</li> <li>● 50% in the third, and</li> <li>● decrease by 10% in each of the remaining four years.</li> </ul> </li> <li>● For residential rental properties, the exemption ends if a unit is rented to someone whose income exceeds 200% of the area median income.</li> <li>● No state reimbursements for this mandatory exemption (CGS § 32-71).</li> </ul>	<p>In all specified zones except entertainment districts:</p> <ul style="list-style-type: none"> <li>● Manufacturing</li> <li>● Various financial and business services</li> <li>● Health services</li> <li>● Fishing, hunting, and trapping</li> <li>● Motor freight transportation and warehousing</li> <li>● Transportation</li> </ul> <p>(Other commercial and residential property owners qualify for the 10-year exemption for property improvements)</p> <p>Entertainment Districts: Facility must qualify as manufacturing facility and be used to produce entertainment products or for live entertainment for stage or broadcast. A variety of support services also qualify, such as:</p> <ul style="list-style-type: none"> <li>● Set manufacturers</li> <li>● Sound and video equipment providers and manufacturers</li> <li>● Writers</li> <li>● Talent, music, and producer agents</li> <li>● Entertainment financiers</li> </ul> <p>To qualify, entertainment businesses must be located in a municipality with an entertainment district; they do not have to be located in the district itself to qualify. The law excludes entertainment provided by or shown at gambling or gaming facilities, or facilities whose primary business is selling or serving alcohol.</p>

<b>Zones</b>	<b>Benefit Package</b>	<b>Eligible Businesses</b>
<ul style="list-style-type: none"> <li>Defense Plant Zones</li> </ul>	<p>The 5-year property tax exemption and 10-year corporation business tax credits described above.</p> <p>Also eligible for funding under other programs that are typically limited to state-designated distressed municipalities (enterprise zones are also eligible for such benefits).</p>	<p>Benefits are not available if the improvement depends on prime defense contracts or related subcontracts.</p> <p>For benefits related to a plant closure, the law specifies that the benefits are available to eligible businesses that occupy a facility that is vacant and formerly used as a major aerospace or defense plant.</p>
<ul style="list-style-type: none"> <li>Airport Development Zone (effective on and after October 1, 2011 and applicable to income years beginning on or after January 1, 2012)</li> </ul>	<p>The 5-year property tax exemption and 10-year corporation business tax credits described above.</p>	<p>The exemptions and credits apply to a narrower range of businesses than those in enterprise zones, as follows.</p> <p>A business qualifies for the exemption if it uses the facility for manufacturing, warehousing and motor freight distribution, and certain business services.</p> <p>Warehousing and motor freight distribution facilities qualify for the exemption only if they handle goods shipped by air.</p> <p>Facilities housing business services, including information technology, qualify for the incentives if the DECD commissioner determines they depend on or are directly related to the airport. Certain facilities are excluded, such as those housing car dealerships and retailers.</p>

***Collateral Benefits of Having an Enterprise Zone***

There are also collateral benefits to having an enterprise zone. The law designates the 17 towns with these zones “targeted investment communities” (TIC), which qualifies the towns and projects in them for enhanced funding and other tax incentives (CGS § 32-222(u)). Table 6 describes these incentives.

**Table 6: TIC Incentives**

<b>Program</b>	<b>Description</b>	<b>Eligible Recipients</b>
Manufacturing Assistance Act (CGS § 32-220 <i>et seq.</i> )	Loans covering up to 90% of the costs of large-scale public and private development projects	Businesses Nonprofit developers Towns
Urban Sites Remediation Program (CGS § 22a-133m)	Funds for cleaning up contaminated sites with commercial potential	Sites selected by the DECD commissioner, in consultation with the environmental protection commissioner
Community Economic Development Fund (CGS § 8-240p <i>et seq.</i> )	Flexible, low-interest business loans	Start-up and established small businesses that cannot afford conventional bank loans
Targeted Investment Community Tax Incentives (various statutes)	Same as the enterprise zone incentives, but businesses must show that they need the incentives to undertake the project	Same as enterprise zones, but the facilities must be located outside of the zones
Urban and Industrial Sites Reinvestment Program (CGS § 32-9t)	Corporate business tax credits for investing in new facilities	Businesses
New Facilities Incentives (various statutes)	Property tax exemptions and corporation business tax credits for developing facilities and creating jobs outside the enterprise zones but still in the TIC	Businesses, including financial services and information technology
Protected Open Space and Watershed Land Acquisition Grant Program (CGS § 7-131(d) <i>et seq.</i> )	Grants for restoration or protection of natural features or habitats on open space already owned by the municipality	Towns (as well as other entities under specified conditions) (All towns (not just TICs) are eligible for grants under the program to purchase land for open space and watershed protection; land must meet specified criteria)

**NUMBER OF COMPANIES RECEIVING BENEFITS**

According to DECD’s most recent annual report (for FY 2010), from November 1, 2009 through October 31, 2010, DECD certified 47 companies for enterprise zone-related incentives (in both enterprise zones and other areas eligible for similar benefits, as outlined above). The companies retained over 2,100 jobs and created over 1,700 jobs. According to the report, DECD received and reviewed 33 pre-applications in anticipation of certifications in 2010.

DECD’s FY 2010 annual report is available at the following link (the discussion of the enterprise zone program begins on page 295): <http://www.ct.gov/ecd/cwp/view.asp?a=1105&q=251248>.

**FUNDING**

The state pays the 50% reimbursement to towns for enterprise zone property tax abatements from the general fund. The tax credit for manufacturing facilities represents a tax expenditure (i.e., tax revenue the state forgoes). Table 7 shows the amounts for fiscal year 2010.

**Table 7: Funding of Enterprise Zone Tax Credits and Abatements**

<b>Tax Credit/ Abatement</b>	<b>Funding Source</b>	<b>State Portion</b>	<b>Municipal Portion</b>	<b>FY 2010 Cost (State)</b>	<b>FY 2010 Cost (Municipalities)</b>
Enterprise Zone Property Tax Abatements	General Fund / Municipal Tax Expenditure	50%	50%	\$7,265,292	\$7,265,292
Manufacturing Facility Tax Credit for Facilities Located in an Enterprise Zone	State Tax Expenditure	100%	0%	\$1,013,317	-
Enterprise Zone Tax Credit for Qualifying Corporations	State Tax Expenditure	100%	0%	no claims made for this credit	-

## **OTHER STATES**

Most states have some form of enterprise zone program, or programs offering similar benefits. Below are summaries of programs in the states you specified (Maine, Massachusetts, New Jersey, New York, Pennsylvania, and Rhode Island).

Some of the programs listed below focus benefits on enterprise zones or similar designated distressed areas (New Jersey, Pennsylvania, and Rhode Island). Other programs offer benefits throughout the state, although certain areas may be targeted for additional benefits or have different eligibility criteria (Maine, Massachusetts, and New York). New York recently ended its enterprise zone program, but replaced it with a new program (the Excelsior Jobs Program) that offers tax incentives throughout the state (additional benefits are available to businesses in designated areas).

Generally, the programs described below require businesses to either create jobs or make in-state investments in facilities or projects. The programs all offer various forms of tax credits and exemptions (e.g., credits on corporate income tax), typically tied to the number of jobs created or amount invested. Some states offer eligible businesses benefits tied to energy costs, such as access to lower electrical rates (Maine) or energy sales tax exemptions (New Jersey). Individual states also offer a variety of different incentives. For example, Pennsylvania authorizes pre-designation planning grants and New Jersey allows zone businesses to charge half the standard sales tax rate for certain products.

The summaries below provide an overview of the enterprise zone or similar programs in these specified states, but do not explain in full detail all benefits, eligibility requirements, or subprograms, where applicable. These summaries also do not explore the entire range of business tax incentives in these states. The statutes and websites cited below provide additional information. Please let us know if you would like us to provide more details on any particular state or program.

### ***Maine Pine Tree Development Zone (PTDZ) Program***

In Maine, businesses in specified sectors are eligible for various tax incentives for business expansions. Legislation in 2009 opened the program to the whole state rather than specified areas. Eligible business sectors include manufacturing, biotechnology, environmental technology, information technology, financial services, and other specified types of technologies.

To qualify, businesses must create at least one net new quality job. A “quality job” must meet specified income requirements (including specified employer-provided benefits), depending on location. It must also give the employee access to both group health insurance and group retirement benefits subject to federal pension benefit law (employer contribution for either is not required).

Businesses are generally eligible for ten years of benefits. Newly-certified businesses located in specified towns are eligible for five years. Among other requirements, applicants must specify why the business expansion would not go forward absent the PTZD benefits.

Benefits include the following:

1. corporate income tax credit (100% for five years, then 50% for the subsequent five years): credit from net new PTDZ payroll and property as a percentage of all state payroll and property;
2. insurance premiums tax credit (100% for five years, then 50% for the subsequent five years): credit from net new PTDZ payroll and property as a percentage of all state payroll and property; applies only to Financial Services sector;
3. income tax reimbursement (80% for ten years): reimbursement for income taxes withheld for net new jobs created;

4. sales and use tax (100% personal property exemption): a qualified business pays no tax on all new tangible personal property purchased for its qualified business activity;
5. sales and use tax (100% real property reimbursement): a qualified business pays no tax on all new tangible property purchases that are to be physically incorporated in, and become a permanent part of, real property of the business and used in its qualified business activity; and
6. access to reduced electricity rates (Me. Rev. Stat. Ann. tit. 30-A, § 5250-H *et seq.*; Maine Department of Economic and Community Development, Rule 19-100; [http://www.maine.gov/decd/mainebiz/pine\\_tree\\_zones/index.shtml](http://www.maine.gov/decd/mainebiz/pine_tree_zones/index.shtml)).

### ***Massachusetts Economic Development Incentive Program (EDIP)***

In Massachusetts, there are more than 200 designated economic target areas (ETAs), comprising municipalities or parts of them. Designation is based on income, unemployment, and other economic factors. Economic opportunity areas (EOAs) are designated areas within ETAs. To qualify for certain benefits, development projects must be located within an EOA.

Massachusetts offers state and local tax incentives through the EDIP Investment Tax Credit Program for companies that generate substantial sales outside the state. The credit is available both inside and outside ETAs, depending on the number and type of jobs created or retained. There is an annual \$25 million cap on the program.

The credit is available for businesses creating full-time jobs and investing in eligible projects within ETAs. Local approval is required and projects involve either tax increment financing or a special tax assessment. The tax credit for such projects is up to 10%. A similar credit is also available of up to (1) 10% for projects anywhere in the state which create at least 100 full-time jobs and (2) 40% for locally-approved projects within gateway communities that create at least 25 full-time manufacturing jobs or retain at least 50 such jobs. (A gateway community has more than 35,000 people and a median household income and education attainment rates below the state average.)

Other benefits include corporate excise or personal income tax deductions of up to 20% of the cost for renovating abandoned buildings (Mass. Gen. Laws. Ann. ch. 23A, § 3A *et seq.*;  
<http://www.mass.gov/?pageID=ehedsubtopic&L=4&L0=Home&L1=Start%2c+Grow+%26+Relocate+Your+Business&L2=Taxes+%26+Incentives&L3=Economic+Development+Incentive+Program&sid=Ehed>).

### ***New Jersey Urban Enterprise Zone (UEZ) Program***

The state has designated 32 enterprise zones in 37 municipalities. Designation criteria include unemployment, poverty, and other factors. To be eligible for benefits under the program, among other criteria, businesses must either (1) have been in operation in a zone or UEZ business district (see below) when it was designated as such or (2) have at least 25% of their employees employed at a location in the zone or district and meeting one of other specified criteria (e.g., residing in a zone or district or being hired after at least six months' unemployment).

Businesses located in enterprise zones are eligible for various benefits, including:

1. the ability to charge half the standard sales tax rate on certain purchases (see below for provision concerning neighboring towns);
2. tax exemptions on capital equipment, facility expansions, and facility upgrades;
3. either (a) up to a \$1,500 tax credit for each newly hired full-time employee (the maximum credit is awarded when an employee resides in the zone and was unemployed for 90 days or is receiving public assistance) or (b) a tax credit against the corporate business tax of up to 8% of qualified investments (tax credits may be carried forward);
4. a partial subsidy for unemployment insurance costs for employees earning less than \$4,500 per quarter;
5. an energy sales tax exemption for qualified manufacturing firms with at least 250 employees, half of whom work in manufacturing; and
6. priority financial assistance in certain circumstances.

A municipality may be designated as a “UEZ-impacted business district” if it can demonstrate that its business district is economically distressed and negatively impacted by the presence of two or more adjacent enterprise zones whose businesses charge 50% less than the general state sales tax rate. Qualified businesses within a UEZ-impacted business district are entitled to an exemption to the extent of 50% from the sales tax, to the same extent as the exemption granted to qualified businesses in the adjacent enterprise zones (N.J. Rev. Stat. § 52:27H-60 *et seq.*; <http://www.nj.gov/dca/affiliates/uez/>).

### ***New York Empire Zone Program and Excelsior Jobs Program***

In 2010, New York closed its Empire Zone Program to new applicants. The program provided a variety of business incentives (e.g., investment tax credits, wage tax credits, sales tax exemptions, and lower energy costs) to businesses located in the zones, which were designated based on various poverty and economic measures. Businesses already participating in the program can continue to receive benefits until the expiration of their eligibility period.

The state launched a new program providing business tax incentives, called the Excelsior Jobs Program. This program is open to businesses throughout the state, rather than those in specific communities or municipalities. However, additional benefits are available to programs in investment zones, which are designated due to economic distress (the Empire Zone Program also provided additional benefits to businesses in investment zones).

The new program is open to businesses in various industries, including manufacturing, biotechnology, pharmaceuticals, high-technology, clean-technology, green technology, financial services, and agriculture. To be eligible for program benefits, a business must create jobs or invest significant capital in an in-state facility. For businesses that qualify due to creating jobs, the minimum number of required new jobs varies based on industry (e.g., 25 for manufacturing and 100 for financial services).

The program offers eligible businesses four tax credits, available for up to 10 years:

1. a jobs tax credit of 6.85% of wages per new job;

2. an investment tax credit of 2% of qualified investments;
3. a research and development tax credit of 50% of the federal research and development credit, up to 3% of in-state research spending; and
4. a real property tax credit for firms (a) in investment zones or (b) investing in “regionally significant projects” (those by firms, in certain industries, meeting higher employment and investment thresholds).

The program has an aggregate \$500 million annual cap (N.Y. Econ. Dev. Law § 350 *et seq.*;

<http://www.esd.ny.gov/BusinessPrograms/EmpireZones.html>;

<http://www.esd.ny.gov/BusinessPrograms/Excelsior.html>).

### ***Pennsylvania Enterprise Zone Program***

In Pennsylvania, financially distressed areas may be designated as enterprise zones for up to seven years, although the designation may be extended for two years. Zones typically comprise several municipalities.

Enterprise zone benefits include the following:

1. planning grants of up to \$50,000 before designation;
2. priority consideration for other grant and loan funds and programs operated by the state Department of Community and Economic Development;
3. eligibility for competitive low-interest grants-to-loans for up to \$350,000 per project for up to seven years or as long as the zone remains in the program;
4. advantages in bidding on state government contracts for five years after the zone exits the program; and
5. assistance for certain environmental clean-up costs, up to five years after the zone exits the program.

The funding can generally be used for a variety of purposes, such as construction, site improvements, equipment, and infrastructure. Certain benefits require matching funds, which vary depending on the activity.

Businesses investing to rehabilitate, expand, or improve buildings or land in an enterprise zone are also eligible for the Enterprise Zone Tax Credit Program. This program is one of four components of the state's Neighborhood Assistance Program. The credit is 25% of funds invested in the project, to a maximum of \$500,000. A company may receive up to \$1.25 million in total credits for four or more projects within the same fiscal year. The credit is against the company's income taxes. Credit approval is for one year; yearly approval is needed for multi-year projects. Unused credits may be carried forward for up to five years.

The investment must promote economic development. Under the program, preference is given to projects showing substantial job creation or a commitment for such job creation. Among various other requirements, applicants must demonstrate a commitment to avoid displacing current residents (Penn. Stat. Ann. § 8901-A *et seq.*; <http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder/enterprise-zone-program>; [http://www.newpa.com/sites/default/files/uploads/NAP\\_Enterprise\\_Zone\\_Guidelines\\_2011.pdf](http://www.newpa.com/sites/default/files/uploads/NAP_Enterprise_Zone_Guidelines_2011.pdf)).

### ***Rhode Island Enterprise Zone Program***

Rhode Island's enterprise zone program offer tax incentives to businesses that expand their employment at facilities located in an enterprise zone. The state has ten zones, designated based on various economic measures.

Under the program, businesses in a zone that increase their employment by 5% over the previous year with full-time state residents may be eligible for a tax credit equal to 50% of the wages paid to new employees, up to \$2,500 per employee. (Companies with 20 or fewer employees must hire at least one new employee to be eligible.) The credit increases to 75% of the wages, to a maximum of \$5,000 per employee, if the employee resides in the zone. Unused tax credits may be carried forward for up to three years if certain requirements are met.

Business owners who reside within the same enterprise zone as their business, and who meet the requirement described above, may instead choose a deduction of their federal adjusted gross income for purposes of their state income tax liability. The deduction is \$50,000 per year for the first three years, and \$25,000 per year for the fourth and fifth year.

Towns may also choose to exempt qualifying businesses within a zone from property taxes.

Additional benefits are available for owners of mill buildings that meet certain criteria and operators of businesses in renovated mills (R.I. Gen. Laws § 42-64.3-1 *et seq.*; R.I. Gen. Laws § 42-64.9-1 *et seq.*; <http://www.riedc.com/business-services/enterprise-zones>).

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