



OLR RESEARCH REPORT

October 13, 2011

2011-R-0351

STATE INCENTIVES FOR ATTRACTING COMPANY HEADQUARTERS

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You asked (1) whether any states offer sales tax exemptions for purchases of taxable goods or services by company headquarters located in the state, (2) how many company headquarters are located in Connecticut, and (3) whether Connecticut has any economic development programs or tools specifically tailored to attract or retain company headquarters to or in Connecticut.

SUMMARY

We were unable to locate any states that offer a sales tax exemption for goods and services purchased by companies headquartered in the state. However, we found seven states that offer tax incentive programs specifically targeted to companies relocating their corporate headquarters to the state. Two of these states, Florida and Tennessee, offer a credit or refund that relocating companies can use to reduce their sales tax liability. Six of the states (Indiana, Mississippi, South Carolina, Tennessee, West Virginia, and Wisconsin) offer tax credits (1) to offset relocation costs or (2) based on the number of jobs the company creates or capital investment it makes in the state.

Many businesses, including large multistate and multinational corporations, are headquartered in Connecticut. Of the 54,595 companies listed in Bloomberg L.P.'s October 2011 company index, 570 have their headquarters here. In addition, 11 companies listed on the 2011 *Fortune* 500, and 23 listed on the *Fortune* 1000, are headquartered in Connecticut.

Although Connecticut offers business tax credits and property tax exemptions to local and out-of-state businesses developing new facilities here, including headquarters, it does not specifically target company headquarters. But between October 2009 and September 2011, the state gave assistance to eight economic development projects for multi-state companies that either relocated their company headquarters to the state or maintained them here.

OTHER STATES' TAX INCENTIVES FOR COMPANIES RELOCATING THEIR CORPORATE HEADQUARTERS

A computer search found seven states with tax incentive programs that are specifically targeted to companies relocating their corporate headquarters to the state. Table 1 lists the states and briefly describes the type and amount of the incentive, its eligibility requirements, and the taxes or fees to which it applies.

While none of the states offers a sales tax exemption for the goods and services relocating companies purchase, two offer other types of incentives that these companies can use to reduce their sales tax liability. Tennessee awards qualifying companies a sales tax credit on qualified goods they purchase for new headquarters facilities. Florida issues a tax refund to qualifying companies that may be used against the sales tax or a number of other state taxes.

All of the programs we examined either require the companies to create a certain number of jobs to qualify for the tax incentive or base the tax credit amount on the number of jobs created. Florida, Mississippi, Tennessee, and Wisconsin also consider whether the jobs meet specific salary thresholds when determining a company's qualifications for the credit or the credit amount.

The taxes to which the credits and refunds apply vary by state. The incentives may be used primarily against business and income taxes, such as corporation, personal income, insurance premium, and telecommunications taxes. South Carolina also allows companies to apply the corporate headquarters credit against their corporation license fees.

TABLE 1: STATE TAX INCENTIVES FOR COMPANIES RELOCATING THEIR CORPORATE HEADQUARTERS

State	Type and Amount of Incentive	Eligibility	Applicable Taxes
<p>Florida – Qualified Target Industry Tax Refund (Fla. Stat. § 288.106)</p>	<p>Tax refund of \$3,000 for each new full-time job created in the state (\$6,000 if located in a targeted zone)</p> <p>Additional tax refund of \$1,000 to \$2,500 per job awarded if the:</p> <ul style="list-style-type: none"> • jobs meet specific salary thresholds, • business falls within a designated high impact sector or increases exports, and • projects are located in designated brownfield areas <p>(Local community in which the company locates contributes 20% of the total refund amount)</p>	<p>Business must</p> <ul style="list-style-type: none"> • be in a targeted industry or relocate its international, national, or regional headquarters to the state, • create at least 10 new jobs, and • pay at least 115% of the annual average private sector wage in the area 	<ul style="list-style-type: none"> • Corporate income • Sales and use • Ad valorem • Excise • Intangible personal property • Insurance premium • Communications service
<p>Indiana – Headquarters Relocation Tax Credit (Ind. Code § 6-3.1-30)</p>	<p>Tax credit of 50% of eligible relocation costs</p>	<p>Business must:</p> <ul style="list-style-type: none"> • relocate its corporate headquarters to the state, • have annual worldwide revenue of at least \$100 million • employ at least 75 people in the state after relocating 	<ul style="list-style-type: none"> • Personal income • Corporation • Financial institutions
<p>Mississippi – National or Regional Headquarters Tax Credit (Miss. Code Ann. § 57-73-21)</p>	<p>Five-year tax credit of up to \$2,000 for each new full-time employee</p>	<ul style="list-style-type: none"> • Business must create a minimum of 35 jobs within one year of relocating its headquarters • Credit amount is greater if the salaries are higher than the average annual state wage 	<ul style="list-style-type: none"> • Personal income • Corporation

Table 1: -Continued-

State	Type and Amount of Incentive	Eligibility	Applicable Taxes
South Carolina – Corporate Headquarters Credit (S.C. Code Ann. § 12-6-3410)	10-year credit of 20% of the value of the headquarters facility or its direct lease costs during the first five years of operation	Business must: <ul style="list-style-type: none"> relocate its corporate headquarters to the state, create at least 40 new full-time jobs (including at least 20 employees classified as “headquarters staff employees”) engaged in corporate headquarters or R&D activities, and spend over \$50,000 to establish or expand the headquarters facility 	<ul style="list-style-type: none"> Corporation income Corporation license fees
Tennessee – Headquarters Tax Credit (Tenn. Code Ann. § 67-6-224)	<p>Sales tax credit on qualified goods purchased for the headquarters (credit of 6.5% out of the 7% state sales tax)</p> <p>Companies that meet certain job creation and relocation expense criteria may also qualify for a:</p> <ul style="list-style-type: none"> refundable relocation expense credit ranging from \$10,000 to \$100,000 per position relocated to the state and “super jobs tax credit” of \$5,000 per job created 	Business must: <ul style="list-style-type: none"> locate its headquarters in a specified zone, spend \$50 million to construct or remodel its headquarters facility, or spend \$10 million on a facility and create at least 100 new full-time jobs that pay at least 150% of the state’s average wage. 	<ul style="list-style-type: none"> Sales Franchise and excise (for relocation and job creation credits)
West Virginia – Corporate Headquarters Relocation Credit (W. Va. Code § 11-13Q-5.)	Tax credit amount based on the business’ qualified relocation and investment costs and full-time jobs created	Out-of-state business must relocate to the state and employ at least 15 West Virginia residents on a full-time basis	<ul style="list-style-type: none"> Business and occupation Severance Telecommunications Business franchise Corporation net income Personal income
Wisconsin – Economic Development Tax Credit (Wis. Stat. § 560.70 et seq.)	Credit of up to \$10,000 per full-time job created, depending on salary levels	Business must locate its global, national, divisional, or regional headquarters in Wisconsin (also open to businesses whose existing headquarters are at risk of leaving the state)	<ul style="list-style-type: none"> Corporation income Personal income

COMPANY HEADQUARTERS LOCATED IN CONNECTICUT

Of the 54,595 companies and organizations included in Bloomberg L.P.'s October 2011 company index, 570 are headquartered in Connecticut. The Bloomberg index lists companies by industry, number of employees, headquarters location, and revenue for the last 12 months. Table 2 shows the 35 companies in the Bloomberg index that have at least \$1 billion in revenue for the last 12 months and are headquartered in Connecticut. (We can send you a complete list of all the Connecticut-headquartered companies at your request.)

TABLE 2: COMPANIES WITH \$1 BILLION OR MORE IN ANNUAL REVENUE AND HEADQUARTERED IN CONNECTICUT

<i>Company</i>	<i>Industry</i>	<i>Number of Employees</i>	<i>Headquarters</i>	<i>Revenue In Billions</i>
General Electric Co.	Diversified Industrials	287,000	Fairfield	\$146.8
United Technologies Corp.	Aerospace	208,000	Hartford	56.8
Aetna, Inc.	Health Care Providers	34,000	Hartford	33.8
Hartford Financial Services Group, Inc.	Full Line Insurance	26,800	Hartford	24.4
Xerox Corp.	Electronic Office Equipment	136,500	Norwalk	22.5
Praxair	Commodity Chemicals	25,262	Danbury	10.7
Stanley Black & Decker, Inc.	Durable Household Products	36,700	New Britain	9.8
General RE Corp.	Full Line Insurance	3,869	Stamford	8.3
Frontier Communications Corp.	Fixed Line Telecommunications	14,800	Stamford	5.4
Pitney Bowes, Inc.	Electronic Office Equipment	30,700	Stamford	5.4
EMCOR Group, Inc.	Heavy Construction	24,000	Norwalk	5.3
Terex Corp.	Commercial Vehicles & Trucks	16,300	Westport	5.1
W.R. Berkley Corp.	Property & Casualty Insurance	6,253	Greenwich	4.9
Amphenol Corp.	Electrical Components & Equipment	39,100	Wallingford	3.9
Harman International Industries, Inc.	Consumer Electronics	10,103	Stamford	3.8
Priceline.com	Travel & Tourism	3,400	Norwalk	3.6
Silgan Holdings, Inc.	Containers & Packaging	7,400	Stamford	3.2
Magellan Health Services, Inc.	Health Care Providers	4,900	Avon	2.9
Hubbell, Inc.	Electrical Components & Equipment	13,000	Shelton	2.7
Odyssey Re Holdings Corp.	Reinsurance	721	Stamford	2.4
Crane Co.	Industrial Machinery	10,500	Stamford	2.4
United Rentals, Inc.	Business Support Services	7,300	Greenwich	2.4
The Phoenix Companies, Inc.	Life Insurance	625	Hartford	2.0
Cenveo, Inc.	Business Support Services	8,700	Stamford	1.9
Kaman Corp.	Industrial Suppliers	4,269	Bloomfield	1.5
UIL Holdings Corp.	Conventional Electricity	1,824	New Haven	1.4

Table 2: -Continued-

Company	Industry	Number of Employees	Headquarters	Revenue In Billions
Mohegan Tribal Gaming Authority	Gambling	7,150	Uncasville	1.4
Arch Chemicals, Inc.	Specialty Chemicals	2,504	Norwalk	1.4
Gartner, Inc.	Computer Services	4,461	Stamford	1.4
Hexcel Corp.	Aerospace	4,043	Stamford	1.3
People's United Financial, Inc.	Banks	4,528	Bridgeport	1.2
Barnes Group, Inc.	Industrial Suppliers	4,900	Bristol	1.2
United States Surgical Corp.	Medical Equipment	1,419	Norwalk	1.2
Intelsat Corp.	Telecommunications Equipment	1,111	Washington	1.1

Source: Bloomberg L.P., October 2011 company index

CONNECTICUT TAX INCENTIVES FOR BUSINESS HEADQUARTERS PROJECTS

Policy

The state offers business tax credits and property tax exemptions to Connecticut and out-of-state businesses developing new facilities here. The range of eligible projects includes corporate headquarters, but the determining criteria for many incentives include the type of business (e.g., manufacturing, banking) and the project's location (e.g., state designated enterprise zones, targeted investment communities).

The Department of Economic and Community Development (DECD) administers many tax incentive programs. In doing so, it seeks out businesses planning to build new headquarters, including businesses in other states and those based here. But DECD neither prefers headquarter projects over other types of projects nor tries to induce companies that only want to build or expand a facility in Connecticut to relocate their headquarters here unless a company is also contemplating building a new headquarters as well, DECD's legislative liaison, James Watson, explained.

Business Tax Credits

The emphasis on business type and location is seen in Table 3, which summarizes the business tax credits for developing new facilities. Most of the credits are limited to manufacturers or specific types of service businesses. The exceptions are the Urban and Industrial Sites Reinvestment (UISR) credits, which are available to any type of business developing a facility that will generate enough sales, personal income, and other tax revenue to recoup the foregone business tax revenue.

The credits for developing manufacturing and service facilities are limited to the 17 enterprise zones and the municipalities that host them (i.e., targeted investment communities (TIC)). A separate credit for banks developing facilities anywhere in the state expires December 31, 2013. UISR credits are available anywhere in the state for businesses cleaning up and redeveloping contaminated property or relocating a new facility here. Other projects qualify if they are located in a TIC, a state-designated distressed municipality, or a municipality with over 100,000 people.

TABLE 3: BUSINESS TAX CREDITS FOR REAL ESTATE DEVELOPMENT PROJECTS

Tax Credit Program	Eligibility Criteria			Applicable Business Taxes	Credit Limits
	Facility	Business	Location		
Urban and Industrial Sites Reinvestment (CGS § 32-9t , as amended by PA 11-78 and PA 11-86)	Any facility that generates enough income, sales, and other taxes to recoup foregone business tax revenue	Any type of business investing in projects developing or redeveloping property, including brownfields (Business may invest directly in the project or through a fund manager)	Brownfield clean-up projects and business relocation projects with minimum \$50 million investment Other projects qualify if located in state-designated targeted investment communities, distressed municipalities, or municipality with over 100,000 people	<ul style="list-style-type: none"> Insurance Premium Corporation Air Carrier Railroad Company Community Antenna Utility Companies Other specified business taxes 	100% credit up to \$100 million, spread out over 10 years: 0% in first three years after investment was made, 10% per year in the next four years, and 20% in the remaining three years Unused credits may be carried forward up to five years or assigned to other taxpayers Total credits available for all projects capped at \$750 million
Manufacturing and Specified Service Facilities (CGS § 12-217e(a))	Manufacturing facilities and other types of facilities housing specific types of businesses	<ul style="list-style-type: none"> Manufacturers Specified types of service businesses, including insurance carriers, health care providers, and motor freight transportation and warehousing 	<ul style="list-style-type: none"> Enterprise Zone Enterprise Corridor Zones Targeted Investment Communities Bradley International Airport Development Zone Bioscience Zone 	Corporation	10-year credit against tax allocable to facility: <ul style="list-style-type: none"> 25% credit or 50% if at least 150 of the new jobs or at least 30% of them go to zone or municipal residents who qualify for federal job training assistance
Service Facilities in Targeted Investment Communities (CGS § 12-217e (b))	Any type of facility housing specific types of service businesses	Specified types of service businesses, including insurance carriers, health care providers, and motor freight transportation and warehousing	Facility must be located in a targeted investment community (TIC) but outside of the TIC's enterprise zone	Corporation	10-year credit based on the number of jobs created: <ul style="list-style-type: none"> 15%, 300-599 jobs 20%, 600-899 jobs 25%, 900-1,189 jobs 30%, 1,200-1,499 jobs 40%, 1,500-1,999 jobs 50%, 2,000 or more jobs

Table 3: -Continued-

Tax Credit Program	Eligibility Criteria			Applicable Business Taxes	Credit Limits
	Facility	Business	Location		
Financial Institutions (CGS § 12-217u)	Minimum 900,000 square foot-facilities	Banks and other types of financial institutions	No criteria	Corporation	Two-stage credits; <ul style="list-style-type: none"> • Maximum \$120 million over 1st 10 years: <ul style="list-style-type: none"> • 30% for each year business maintains at least 1,200 new jobs or • 40% for each year business maintains at least 1,600 new jobs • Maximum \$145 million over next five years: <ul style="list-style-type: none"> • 25% for each year business maintains at least 3,000 new jobs Credit expires on December 31, 2013 (PA 10-75)

Property Tax Exemptions

Table 4 summarizes the property tax exemptions for businesses developing new facilities. These include the mandatory five year, 80% exemption for manufacturers and specified service businesses in enterprise zones and TICs as well as two exemptions municipalities may offer at their discretion. The property tax exemptions for large-scale development projects target specific business uses, including headquarters offices. The exemptions authorized under the Connecticut City and Town Development Act are for businesses that occupy property a municipality acquired and developed under a development plan.

TABLE 4: PROPERTY TAX EXEMPTIONS FOR LARGE-SCALE DEVELOPMENT PROJECTS

Property Tax Exemption	Type	Eligibility			Exemption Amount
		Facility	Business	Location	
Enterprise Zone Property Tax Exemption (CGS § 12-81 (59 (a)))	Mandatory, with state reimbursement	Manufacturing facilities and other types of facilities housing specific types of service businesses	<ul style="list-style-type: none"> • Manufacturers • Specified types of service businesses, including insurance carriers, health care providers, and motor freight transportation and warehousing 	<ul style="list-style-type: none"> • Enterprise Zones • Facilities outside of the zones in the towns with zone qualify at DECD's commissioner's discretion 	Five-year, 80% exemption

Table 4: -Continued-

Property Tax Exemption	Type	Eligibility			Exemption Amount
		Facility	Business	Location	
Targeted Investment Community Property Tax Exemption (CGS § 12-81 (59)(b))	Same as above	Same as above	Specific types of service businesses, including insurance carriers, health care providers, and motor freight transportation and warehousing	Facility must be located in a TIC but outside of the TIC's enterprise zone	Five-year exemption Exemption amount depends on investment; exemption range from 40% for investments between \$20 million and \$39 million and 80% for investments over \$90 million
Property Tax Exemption for Large-Scale Real Estate Projects (CGS § 12-65b)	Local Option	<ul style="list-style-type: none"> • Office • Retail • Permanent Residential • Transient Residential • Manufacturing • Warehouse, Storage, or Distribution • Multi-Level Parking Supporting Transit System • Information Technology • Recreation Facilities • Transportation Facilities 	No explicit criteria; presumably, a business must be compatible with the facility's use	No criteria	Exemption amount and term depends on amount invested: <ul style="list-style-type: none"> • 100% for to seven years for minimum \$3 million investment • 100% for up to two years for minimum \$500,000 investment • 50% for up to three years for minimum \$25,000 investment
Connecticut City and Town Development Act (CGS § 7-498)	Local Option	Wide range of development projects	No criteria (Municipalities may acquire, develop, and dispose of property for many different purposes)	All municipalities	Up to 100%, 20-year exemption for property developed under act

RECENT ECONOMIC DEVELOPMENT ASSISTANCE FOR COMPANY HEADQUARTERS

Between October 2009 and September 2011, the state concluded eight economic development deals involving multi-state companies either already headquartered in Connecticut or moving their headquarters to the state. Table 5 summarizes the state benefits provided in each case. Deals involving companies that only have in-state facilities are not included.

**TABLE 5: STATE ASSISTANCE FOR COMPANY HEADQUARTERS IN CONNECTICUT, OCTOBER 2009
THROUGH SEPTEMBER 2011**

Company	Summary of Benefits (Date Project Announced)	Headquarters Location
Starwood Hotels & Resorts, Inc.	\$9.5 million loan from DECD, \$75 million in Urban and Industrial Site Reinvestment Tax Credits, and up to \$5 million in sales tax exemptions through the Connecticut Development Authority (CDA) (November 18, 2009)	Relocation from White Plains, NY to Stamford
Nestlé Waters North America Inc.	\$4 million, low-interest loan, up to \$5 million in Urban and Industrial Site Reinvestment Tax Credits, and up to \$1 million in sales tax exemptions from CDA (January 25, 2010)	Greenwich
EpiEP Inc.	\$1 million investment through Connecticut Innovation's Eli Whitey Fund (June 16, 2010)	Relocation from Charlottesville, VA to New Haven
Electric Boat	\$15 million grant (\$5 million per year for three years), in addition to possible other benefits due to New London facility being located in enterprise zone (June 21, 2010)	Groton
Inline Plastics Corp.	\$800,000 in loans (\$500,000 from DECD and \$300,000 from CDA) (January 20, 2011)	Shelton
Schultz Electric Co.	\$400,000 loan from CDA (January 21, 2011)	New Haven
CIGNA	\$47 million or more in benefits, depending on number of jobs created; combination of Urban and Industrial Site Reinvestment Tax Credits, Manufacturing Assistance Act loan, loan forgiveness, and job training grant (July 12, 2011)	Relocation from Philadelphia, PA to Bloomfield
ESPN	\$17.5 million loan from DECD, up to \$1.2 million for a job training grant program, and up to \$6 million in sales and use tax exemptions from CDA (August 2, 2011)	Bristol, CT

Sources: Press Releases by (1) Governor Malloy's office, (2) Governor Rell's office, and (3) the Department of Economic and Community Development.

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