



ECONOMIC DEVELOPMENT TAX CREDITS FOR NORTHEASTERN STATES

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ISSUE

What economic development tax credits are available to partnerships, limited liability partnerships, and other “pass-through” entities in the New England states, New York, and New Jersey?

SUMMARY

Unlike corporations, pass-through entities are not subject to a corporation business tax. Consequently, they cannot claim the corporation business tax credits most states offer for creating jobs, researching and developing new products, acquiring new machinery and equipment, or making other types of investments and expenditures. Some states, however, extend these tax incentives to pass-through entities, allowing their owners and partners to claim credits against their personal income taxes.

Table 1 gives an overview of the types of tax credits that are available to pass-through entities in the selected states. Table 2 lists the specific tax credits available to pass-through entities. For both tables, the tax credits are organized into six categories: capital investments, job creation and retention, real estate development, research and development, targeted areas, and venture capital investments. The tables do not include New Hampshire, which does not impose a broad-base income tax.

Connecticut General Assembly

Table 1: State-by-State Overview of Tax Credits Available to Pass-Through Entities

| <i>Purpose</i> | <i>States</i> | | | | | | |
|------------------------------------|---------------|-------|---------------|------------|----------|--------------|---------|
| | Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| Capital Investments | | X | X | X | X | X | |
| Job Creation and Retention | X | X | X | X | X | | |
| Real Estate Development | | X | X | | X | X | X |
| Research and Development | | X | | X | | X | |
| Targeted Areas | | X | X | X | X | X | X |
| Venture Capital Investments | X | X | | X | X | X | X |

Table 2: Specific Tax Credits Available to Pass-Through Entities

| <i>Capital Investments</i> | | | | | | |
|----------------------------|---|--|-------------------------------|---|--|---------|
| Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| | Generic Tax Credit for Pass-Through Entities High-Technology Investment Tax Credit Jobs and Investment Tax Credit Maine Capital Investments Credit New Markets Tax Credit | Economic Development Incentive Program New Markets Tax Credit | Grow NJ Assistance Tax Credit | Investment Tax Credit Investment Tax Credit for Financial Security Industry Economic Transformation and Facility Redevelopment Program Credit | Biotechnology Investment Tax Investment Tax Credit Specialized Investment Tax Credit | |

Table 2 (continued)

| <i>Job Creation and Retention</i> | | | | | | |
|-----------------------------------|--|--|---|--|---|---|
| Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| Job Expansion Tax Credit* | Jobs and Investment Tax Credit Pine Tree Development Zone Tax Credit | Economic Development Incentive Program | Grow NJ Assistance Tax Credit | Excelsior Jobs Program Credit Empire State Jobs Retention Program Credit Workers with Disabilities Tax Credit Employee Incentive Credits Hire a Veteran Credit Youth Works Credit | | |
| <i>Real Estate Development</i> | | | | | | |
| Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| | Credit for Rehabilitation of Historic Properties New Markets Tax Credit | Brownfields Credit for Rehabilitation of Contaminated Property Historic Rehabilitation Credit Low Income Community Investment Housing Credit Certified Housing Development Credit New Markets Tax Credit | | Brownfields Redevelopment Tax Credit Historic Barn Rehabilitation Credit Low-Income Housing Credit Rehabilitation of Historic Properties Credit | Historic Preservation Tax Credit | Historic Preservation Tax Credit |
| <i>Research and Development</i> | | | | | | |
| Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| | Research Expense Tax Credit Super Credit for Substantially Increased Research and Development | | Research and Development Tax Credit | | Research and Development Expenses Credit Research Expense Credit | |
| <i>Targeted Industries</i> | | | | | | |
| Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| | Biofuel Production and Use Credit Certified Visual Media Production | Dairy Farmer Tax Credit Film Incentive Tax Credit Medical Device | Emerging Technologies Tax Credit Film Production | Musical and Theatrical Production Credit Empire State Commercial Production Credit | Musical and Theatrical Production Tax Credit Biotechnology | Financial Services Development Tax Credit |

Table 2 (continued)

| | | | | | | |
|---|---|--|---------------------------------|---|--|----------------------|
| | Credit High-Technology Investment Tax Credit Maine Seed Capital Tax Credit Maine Fishery Infrastructure Investment Tax Credit Program Pine Tree Development Zone Tax Credit Quality Child Care Investment Credit | Credit Life Sciences Credits (3) | Expenses Tax Credit | Biofuel Production Credit Beer Production Tax Credit Investment Tax Credit for Financial Security Industry Emerging Technologies Credits Empire State Film Tax Credits | Investment Tax Credit Motion Picture Production Tax Credit | |
| <i>Venture Capital Investments</i> | | | | | | |
| Connecticut | Maine | Massachusetts | New Jersey | New York | Rhode Island | Vermont |
| Angel Investor Tax Credit | Seed Capital Tax Credit | | Angel Investor Tax Credit | Qualified Emerging Technology Company Capital Tax Credit | Innovation Tax Credit | Seed Capital Fund |

*Connecticut's Job Expansion Credit applies to business and personal income taxes for qualifying jobs created between January 1, 2012 and January 1, 2014.

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