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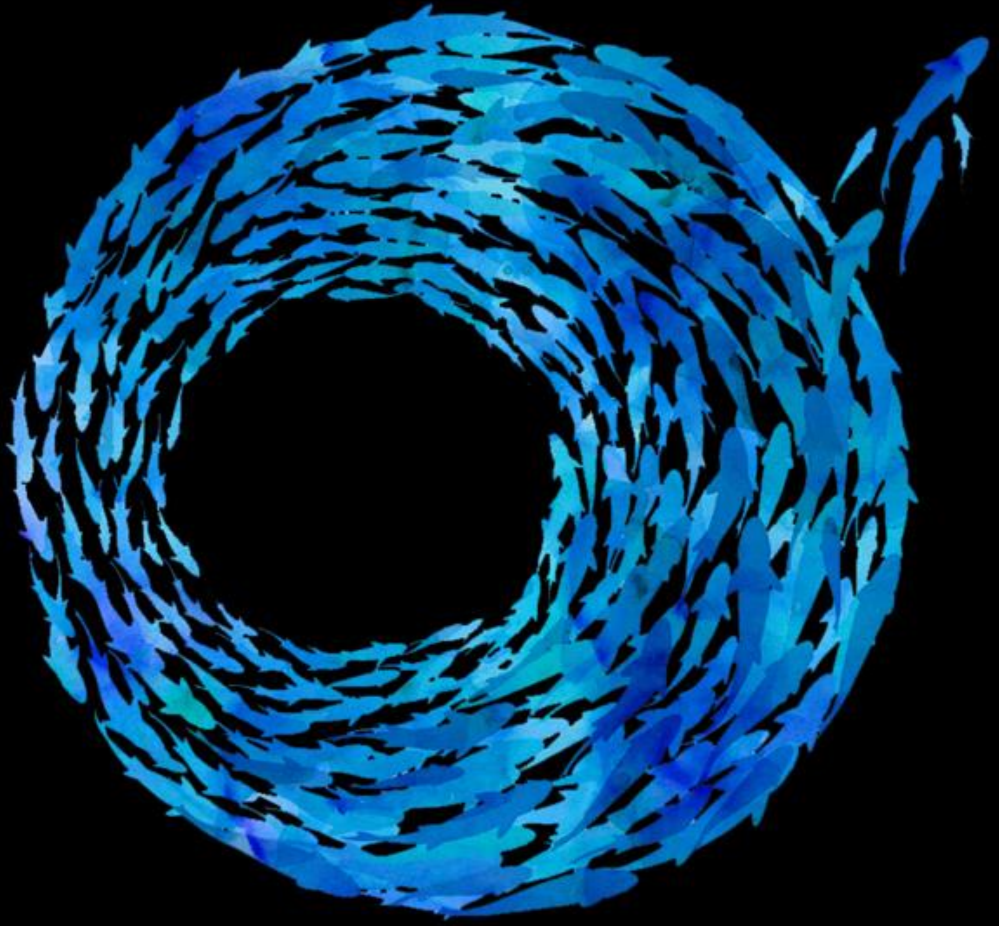

# The 2018 National Multistate Tax Symposium

Take the lead—Tax reform and fortifying state positions

February 7-9, 2018

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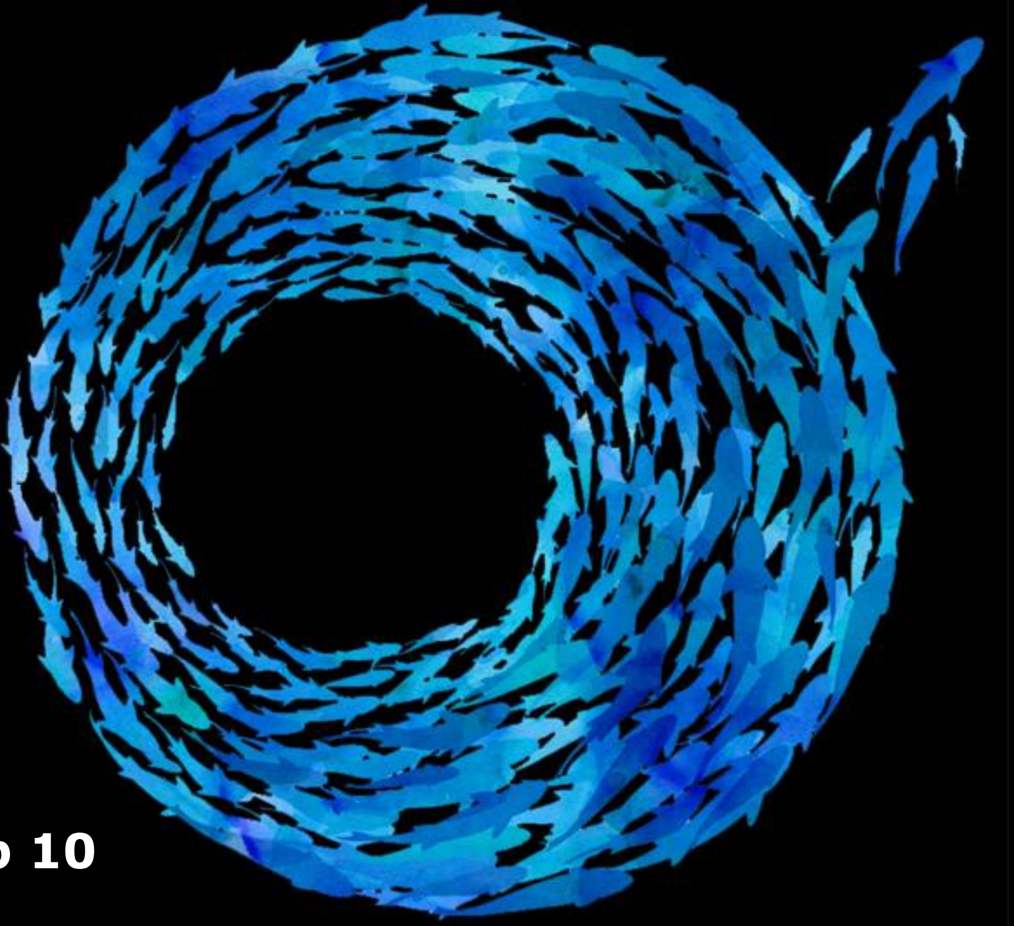

# Credits and incentives – Top 10 opportunities and pitfalls


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# Ten ways credits & incentives impact social factors

- Hiring credits for:
  - 1. Veterans
  - 2. Long-term unemployed
  - 3. Youth
- Training credits
  - 4. Expansion of skill sets to unemployed and aging work forces
- Discretionary incentives
  - 5. Companies avoiding growth in states with laws that may run counter to their corporate values
  - 6. States structuring incentives to help ensure certain company behavior
  - 7. Incentive grants limited to specific industries
- Green incentives
  - 8. Green energy credits
  - 9. Brownfield credits/rehabilitation credits
- Tax reform
  - 10. Credit for employers that provide paid family and medical leave

# Hiring credits

# 1. Credits help increase the number of veterans in the workforce.

- New York Hire-a-Vet Credit
  - Businesses may earn up to $5,000 for hiring a qualified Veteran, and up to $15,000 for hiring a qualified Veteran who is disabled.
- Utah Veteran Employment Tax Credit
  - For the first taxable year, $200 for each month of employment, not to exceed $2,400 for the taxable year for each recently deployed Veteran; and for the second taxable year, $400 for each month of employment, not to exceed $4,800 for the taxable year for each recently deployed Veteran.
- Federal Work Opportunity Tax Credit
  - For qualified Veterans, the maximum credit ranges from $2,400 to $9,600.

# 2. Credits increase the number of long-term unemployed that rejoin the workforce.

- California New Employment Credit (NEC)
  - Available to qualified taxpayers that must hire a qualified full-time employee and pay qualified wages attributable to work performed by the qualified full-time employee. The credit is based on 35% of qualified wages or wages between 150% and 350% of minimum wage. To be a qualified employee, the following conditions must be met: the individual must have been unemployed for 6 months or more, not having completed a degree or course of study, **or** unemployed for 6 months or more, and completed a degree or course of study more than 12 months prior to hire.
- Louisiana Employment of the Previously Unemployed Program
  - Credit of $540/previously unemployed hire. The credit applies to those who are recipients of the Family Independence Temporary Assistance Payment that are participating in the state’s Family Independence Work Program.
- WOTC
  - The maximum value of the credit ranges from $2,400 to $9,600.

# 3. Credits increase the number of summer youth that are hired each year.

- WOTC
  - For summer youth employees, the maximum credit is 40 percent of wages paid during a 90-day period from May 1 to September 15, up to $3,000.
- New York Youth Jobs Program
  - Credit valued at $500 per month for up to six months for each qualified employee employed in a full-time job, or $250 per month for up to six months for each qualified employee employed and $1,000 for each qualified employee who is employed for at least an additional six months in a full-time job, and $500 for each qualified employee employed for at least an additional six months in a part-time job.

# Training credits

# 4. Credits and incentives help aging and unskilled workers obtain the skills needed to compete in today's skills-based and increasingly digital economy.

- New York Employee Training Incentive Program ("ETIP")
  - Credits are equal up to 50% of the eligible training costs, up to $10,000 per employee and $3,000 for interns.
- Georgia Retraining Tax Credit
  - Credits are equal up to 50% of qualifying retraining costs up to $500 per employee per qualifying course, with a maximum credit amount of $1,250 per trainee per year.
- Colorado Job Training Credit
  - An income tax credit of 12% of eligible training costs for qualified job-training program for employees based out of an Enterprise Zone work location.

# Discretionary incentives

5. Many companies appear to be pulling out of states that pass laws that go against their corporate values, with some companies now structuring incentive agreements to ensure compliance is contingent on certain state behavior.

6. States can structure incentives to ensure compliance is contingent on certain company behavior - *i.e.,* unethical or inappropriate behavior on the part of company executives could release taxpayer from its agreement.

# 7. States may limit incentive funds to specific industries that offer high-paying jobs or jobs that require knowledge of advanced technology.

- New York's Qualified Emerging Technology Company (QETC) Tax Credits
  - The QETC program offers hiring credits of $1,000/employee and a capital tax credit for qualified investments into QETCs depending on the length of time an investor holds their investment.
- Grow NJ
  - Incentive program that provides favorable hiring and investment requirements for preferred industries.
- Research and development credits
  - Various states offer credits for the costs associated with research and development in order to attract high-tech, high-paying jobs into their jurisdictions.
- Georgia Mega Project Tax Credits
  - Program offers $5,250/net new job annually for 5 years for companies that can bring large, high-paying jobs to Georgia. Companies need a minimum of 1,800 net new jobs and either $450M in capital expenditures or $150M in payroll to qualify, in addition to meeting county specific wage goals.

# Green credits

# 8. Credits promote the adoption and increased use of green energy credits.

- New Mexico Alternative Energy Product Manufacturers Tax Credit
  - Credit equal to 5% of taxpayer's qualified expenditures for manufacturers of alternative energy products (*i.e.,* alternative energy vehicles, fuel cell systems, renewable energy system or components for alternative energy vehicles, etc.)
- Kentucky Renewable Energy Incentives
  - Kentucky provides grants and investment for companies to support the development and commercialization of renewable energy sources in the state of Kentucky through its New Energy Ventures Fund. The Kentucky Incentives for Energy Independence Act also provides incentives up to 50% of the cost of capital investments of at least $25M for the development of alternative fuel facilities.
- Utah Renewable Energy Systems Tax Credit
  - Commercial Tax Credit is calculated as 10% of the eligible system cost up to $50,000 per commercial unit installed.

# 9. States are incentivizing the rehabilitation of polluted brownfield sites and vacant properties by offering credits for businesses that move to and clean up these designated sites.

- Massachusetts Brownfields Tax Credit
  - A tax credit of up to 50% of the costs associated with cleanup costs for taxpayers that maintain a permanent solution for the property.
- South Carolina Rehabilitation of Abandoned Buildings Credit
  - Credit up to $500,000 per taxpayer annually for the rehabilitation of buildings to be used for income producing activity.
- Colorado Vacant Commercial Building Rehabilitation Credit
  - Credit valued at 25% of the aggregate expenditures for rehabilitating a vacant commercial building, up to $50,000 per building.

# Tax reform

# 10. Federal tax reform creates a credit for employers that provide paid family and medical leave.

- Federal Employer Tax Credit for Paid Family & Medical Leave
  - A credit up to 25% of the wages paid to qualifying employees during any period in which the employees are covered under the Family Medical Leave Act. The time off is intended to be used for the birth or adoption of a child, or for oneself or a relative due to a serious health condition.

# New treatment of incentives

# Under federal tax reform, incentives payments are now treated as taxable income.

- Under federal tax reform legislation that was signed into law by President Trump in December 2017, a provision was repealed that permitted companies to exclude contributions of capital from taxable income. As such, state and local tax incentives that take the form of contributions of capital will now be included in federal gross income.

# Questions?

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