

Department of Revenue Services

**Informational Publication 2004(20)**

Issued: 01/27/05

A Message from the Commissioner:

The Department of Revenue Services (DRS) is pleased to provide **Informational Publication 2004(20)**, *Guide to Connecticut Business Tax Credits*. This publication describes the tax credits presently available to businesses. It also details updates of credit summaries that identify legislative or policy changes. Please review this information to see how these credits or changes may impact your business.

For more information about business tax credits, forms or other tax-related information, please visit the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) anytime. The DRS Web site allows visitors to download tax forms and publications, and provides useful information about programs such as electronic filing.

The DRS Web site allows users to register for the *DRS E-News*, which provides important tax information, updates, and alerts directly to subscribers' email. *DRS E-News* also contains a direct link to documents for previewing and printing. Subscribing is free and only takes a few moments.

DRS Taxpayer Services personnel are available to assist taxpayers by phone, e-mail, or in person, Monday through Friday, 8:30 a.m. to 4:30 p.m. Many tax questions can be answered by using the automated phone system anytime. Call 1-800-382-9463 from within Connecticut, or 860-297-5962 from anywhere.

DRS is always interested in your suggestions to improve the way we do business. Please feel free to contact us with your comments

Sincerely,

A handwritten signature in cursive script that reads "Pam Law". The signature is written in black ink on a white background.

Pam Law  
Commissioner

---

---

# Table of Contents

<b>General Information .....</b>	<b>5</b>
<b>Credit Summaries .....</b>	<b>7</b>
Apprenticeship Training Credit in Manufacturing, Plastics, Plastics-Related, or Construction Trades .....	9
Clean Alternative Fuel Credit (10% and 50%) for: Vehicles, Equipment, and Related Filling or Recharging Stations .....	11
Computer Donation Credit .....	13
Displaced Electric Worker Credit .....	15
Donation of Open Space Land Credit .....	17
Electronic Data Processing Equipment Property Tax Credit .....	19
Employer-Assisted Housing Tax Credit .....	21
Enterprise Zone Credit for Qualifying Corporations .....	23
Financial Institutions Credit .....	25
Fixed Capital Investment Credit .....	29
Hiring Incentive Tax Credit .....	31
Historic Homes Rehabilitation Credit .....	33
Housing Program Contribution Credit .....	35
Human Capital Investment Credit .....	37
Insurance Reinvestment Fund Credit .....	39
Machinery and Equipment Expenditure Credit .....	41
Neighborhood Assistance Program Credit .....	43
Research and Development Credit for Grants to Institutions of Higher Education .....	45
Research and Development (Nonincremental) Expenditures Credit .....	47
Research and Experimental (Incremental) Expenditures Credit .....	51
Small Business Guaranty Fee Tax Credit .....	53
Service Facility Credit .....	55

50% Manufacturing Facility Credit for Facilities Located in an Enterprise Zone  
(or Other Area Having Enterprise Zone Level Benefits) ..... 59

25% Manufacturing Facility Credit ..... 63

Traffic Reduction Programs Credit ..... 65

Urban and Industrial Site Reinvestment Credit ..... 67

**Connecticut Tax Assistance .....Back Cover**

---

---

# General Information

## Credit Summaries

Each section may include the following information:

- Credit Description
- Definition(s)
- Effective Date(s) - newer credits only
- Credit Percentage
- Credit Amount
- How to Compute the Credit
- Credit Carryforward/Carryback Limitations
- How to Apply
- Attachments Required
- Where to Get Additional Information
- Statutory and Regulatory Reference(s)
- Questions and Answers

## Ordering Rules for Claiming Corporation Business Tax Credits

Conn. Gen. Stat. §12-217aa establishes specific ordering rules for corporations claiming more than one Connecticut Corporation Business Tax Credit.

The credits must be applied in the following order:

1. Carrybacks expiring first;
2. Current year credits that do not have a carryforward or carryback provision;
3. Any credit carryforward expiring first;
4. Non-expiring credits.

The Financial Institutions Credit (see Page 25) must be claimed **before** any other credit allowed against the Connecticut corporation business tax. In addition, the Electronic Data Processing Equipment Property Tax Credit (see Page 19) must be claimed **after** all other credits allowed against the taxes imposed by Chapters 207, 208, 208a, 209, 210, 211, or 212 of the Connecticut General Statutes have been applied.

## Limit on Credits

Conn. Gen. Stat. §12-217zz establishes that for income years beginning on or after January 1, 2002, the amount of tax credits otherwise allowable against the corporation business tax for any income year shall not exceed 70% (.70) of the amount of tax due prior to the application of the tax credit.

For income years beginning on or after January 1, 2002, no tax credit can be applied against the minimum tax of \$250. *Conn. Gen. Stat. §12-219*

## Flow-Through of Corporation Business Tax Credits

Unless specifically provided in the tax credit statute, a tax credit may only be claimed by the entity that earned the credit. Thus, in the case of most tax credits, a tax credit earned by a partnership in which a corporate taxpayer is a partner may not be claimed by the corporation.

## How to Claim Tax Credit(s) Against the Connecticut Corporation Business Tax

- Follow the instructions in the *How to Apply* heading for each applicable credit.
- Report credit amount(s) on **Form CT-1120K, Business Tax Credit Summary**.
- Enter your carryforward and carryback credits on **Form CT-1120K**. A worksheet and all applicable schedules must be attached listing all details of each credit item taken for computing the credit carryforward or carryback balance(s).
- Some tax credits may require a formal application process.

## Effect on Other Documents

**Informational Publication 2004(20)**, *Guide to Connecticut Business Tax Credits*, supersedes **Informational Publication 2001(17)**, *Guide to Connecticut Business Tax Credits*, which may no longer be relied upon on or after the issuance date of this publication.

## Effect of This Document

An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

## For Further Information

Call DRS Monday through Friday, during business hours:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

**TTY, TDD, and Text Telephone users only** may transmit inquiries anytime by calling 860-297-4911.

## Forms and Publications

Forms and publications are available anytime:

- **Internet:** Preview and download forms and publications from the DRS Web site at **[www.ct.gov/DRS](http://www.ct.gov/DRS)**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

# Credit Summaries

## ***Notes***



---

---

# Apprenticeship Training Credit in Manufacturing, Plastics, Plastics-Related, or Construction Trades

## Description

A credit against the Connecticut corporation business tax is available to corporations that employ apprentices who are receiving training **in the manufacturing, plastics, plastics-related, or construction trades**. This credit is designed to encourage the development of skilled workers through apprentice training programs in order to counter the current and projected shortage of skilled workers in the manufacturing, plastics, plastics-related, and construction trades which exists in Connecticut.

## Definitions

As defined in Conn. Agencies Regs. §12-217g-2, an **apprenticeship** means the establishment and continuance, under a qualified program, of one or more full-time apprentice training positions within a pool of skilled workers, whereby unskilled or semi-skilled apprentices are employed full-time as apprentices under a written agreement.

A **qualifying apprenticeship training program** is a program that must meet the following requirements:

- The apprenticeship period must be at least 4,000 hours (two years) but not more than 8,000 hours (four years); **and**
- Each apprentice must be employed on a full-time basis, which is defined as working a minimum of 120 hours per month.

Wages of pre-apprentices are not eligible for this tax credit.

## Manufacturing Trades

Corporations claiming this credit must have a qualified apprenticeship training program that is:

- Certified in accordance with regulations adopted by the Commissioner of the Connecticut Department of Labor (Labor Commissioner); **and**
- Registered with the Connecticut State Apprenticeship Council established under Conn. Gen. Stat. §31-51b.

Some examples of trades eligible for this credit include:

- Machinist;
- Toolmaker;
- Tool and Diemaker;
- Tool and Machine Setter; **and**
- Machine Tool Repairer.

## Plastics and Plastics-Related Trades

Corporations claiming this credit must have a qualified apprenticeship training program that is:

- Certified in accordance with regulations adopted by the Labor Commissioner; **and**
- Registered with the Connecticut State Apprenticeship Council established under Conn. Gen. Stat. §31-51b.

Most apprenticeship programs in the plastics and plastics-related trades qualify for the credit available for the manufacturing trades because there is some overlap between the two trades.

## Construction Trades

Corporations claiming this credit must have a registered apprenticeship training program which is:

- Jointly administered by labor and management trustees;
- Administered pursuant to labor laws, 29 USC §186(c);
- Certified in accordance with regulations adopted by the Labor Commissioner; **and**
- Registered with the Connecticut State Apprenticeship Council established under Conn. Gen Stat. §31-51b.

## **Credit Amount**

### ***Manufacturing, Plastics, and Plastics-Related Trades***

For manufacturing, plastics, and plastics-related trades, the credit against the Connecticut corporation business tax is computed by multiplying the total number of apprentice work hours during the income year by \$4. This credit may only be taken during the first half of a two-year apprenticeship or the first three-quarters of a four-year apprenticeship.

The credit may not exceed 50% of actual wages paid to each apprentice in the income year **or** \$4,800, whichever is less.

### ***Construction Trades***

For construction trades, the credit is computed by multiplying the total number of apprentice work hours during the income year by \$2.

The credit may not exceed 50% of actual wages paid to each apprentice in the income year **or** \$1,000, whichever is less.

## **Carryforward/Carryback Limitations**

No carryforward or carryback is allowed.

## **How to Apply**

To apply for the credit, contact the Connecticut Department of Labor (CTDOL) at 860-263-6085 or **www.ctapprenticeship.com** to obtain an Apprenticeship Tax Credit Worksheet and a Monthly Worksheet. Completed worksheets with verification of hours worked by each apprentice should be submitted to:

*Connecticut Department of Labor  
Apprenticeship Training Unit  
200 Folly Brook Blvd.  
Wethersfield CT 06109*

## **How to Compute the Credit**

The CTDOL will compute the tax credit and issue a Corporate Tax Credit Certification letter to the taxpayer. The amount listed on the Corporate Tax Credit Certification letter should be entered on **Form CT-1120K, Business Tax Credit Summary**.

## **Where to Get Additional Information**

Direct inquires to CTDOL, Apprenticeship Training Unit, at the above address and telephone number.

## **REFERENCES:**

*Conn. Gen. Stat. §§12-217g and 31-51b;  
Conn. Agencies Regs. §§12-217g-1 through  
12-217g-10.*

---

---

# Clean Alternative Fuel Credit (10% and 50%) for: Vehicles, Equipment, and Related Filling or Recharging Stations

## Description

### 10% Credit

A credit may be applied against the Connecticut business taxes imposed by Chapter 208, 209, 210, 211, or 212 of the Connecticut General Statutes in an amount equal to 10% of the expenditures paid or incurred for the **incremental cost** of purchasing a vehicle that is exclusively powered by a **clean alternative fuel**.

### 50% Credit

A credit may be applied against the Connecticut corporation business tax (Chapter 208) in an amount equal to 50% of the expenditures paid or incurred for **any** of the following:

- The construction of any filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas, or liquefied natural gas;
- The purchase and installation of conversion equipment incorporated into or used in converting vehicles powered by any other fuel to either exclusive use of clean alternative fuel or dual use of such other fuel and a clean alternative fuel, including but not limited to storage cylinders, cylinder brackets, regulated mixers, fill valves, pressure regulators, solenoid valves, fuel gauges, electronic ignitions, and alternative fuel delivery lines, if such converted vehicles, after conversion, meet generally accepted standards, including but not limited to the standards set by the American Gas Association, the National Fire Protection Association, the American National Standards Institute, the

American Society of Testing Materials, or the American Society of Mechanical Engineers; **or**

- The purchase and installation of equipment incorporated into or used in a compressed natural gas, liquefied petroleum gas, or liquefied natural gas filling station, or electric recharging station for vehicles powered by clean alternative fuel, including but not limited to compressors, storage cylinders, associated framing, tubing and fittings, valves and fuel poles, and fuel delivery lines.

## Definitions

**Incremental cost** means the difference between the purchase price of a vehicle that is exclusively powered by a clean alternative fuel and the manufacturer's suggested retail price of a comparably equipped vehicle that is not powered by a clean alternative fuel.

**Clean alternative fuel** means compressed natural gas, liquefied petroleum gas, liquefied natural gas, or electricity when used as a motor vehicle fuel.

## Effective Date

Conn. Gen. Stat. §12-217i contains a sunset provision for this credit. This credit may be claimed for income years beginning prior to January 1, 2008.

## How to Compute the Credit

Calculate the credit by multiplying all qualifying alternative fuel vehicles and related equipment expenses by the appropriate percentage.

The **10% credit** may be applied against any **one** of the following taxes:

- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

The **50% credit** may **only** be applied against the corporation business tax (Chapter 208).

## **Carryforward/Carryback Limitations**

Any unused credit balance may be carried forward in any of three succeeding income years. No carryback is allowed.

## **How to Apply**

Complete **Form CT-1120 CAF**, *Clean Alternative Fuel - Vehicles, Equipment, and Related Filling or Recharging Stations Credit*. Forms are available anytime from the DRS Web site at **www.ct.gov/DRS** by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## **Attachments Required**

**Form CT-1120 CAF** must be attached to **Form CT-1120K**, *Business Tax Credit Summary*.

## **Where to Get Additional Information**

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

## **REFERENCES:**

*Conn. Gen. Stat. §12-217i, as amended by  
2004 Conn. Pub. Acts 231, §5.*

---

---

# Computer Donation Credit

## Description

A credit may be applied against various Connecticut business taxes for the donation of new or used computers to a local or regional board of education or a public school. The used computers may not be more than two years old at the time of donation.

The amount of the credit granted to any business firm shall not exceed \$75,000 annually. The total amount of business credits allowed to all business firms shall not exceed \$1 million in any one fiscal year.

## Effective Date

Income years beginning on or after January 1, 2000.

## Credit Percentage

The amount of the credit shall not exceed 50% of the fair market value of the new or used computers at the time of donation.

## Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

## How to Compute the Credit

Report the credit amount on **Form CT-1120K, Business Tax Credit Summary**.

The credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

## How to Apply

The business firm must submit **Form CT-CDC, Computer Donation Credit Application**, to DRS. Along with the application, the business firm must provide a copy of the written agreement between the business firm and the local or regional board of education or public school. The written agreement shall provide for the acceptance of the computers by the board of education or public school, an acknowledgment that the computers are in good working condition, and a requirement that the business firm install, set up, and provide training to school staff on these computers.

The Commissioner of Revenue Services shall review each application and within 30 days following its receipt, approve or disapprove the application in writing.

Submit **Form CT-CDC** to:

*Department of Revenue Services  
Research Unit  
25 Sigourney Street  
Hartford CT 06106*

## Where to Get Additional Information

Direct inquiries to the above address or contact DRS Research Unit at 860-297-5689. Inquiries may also be submitted to the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS)

Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## REFERENCES:

*Conn. Gen. Stat. §10-228b.*

---

## ***Notes***

---

---

---

## Displaced Electric Worker Credit

### Description

A credit against the Connecticut corporation business tax is available to any **electric supplier** in Connecticut, other than a generation entity or affiliate of an electric company, that hires a **displaced worker** for a minimum period of six months.

### Definitions

An *electric supplier* means a facility that provides electric generation services as defined in Conn. Gen. Stat. §16-1.

A *displaced worker* means any Connecticut employee, other than an officer or a director, of an electric company, as defined in Conn. Gen. Stat. §16-1, or a generation entity or affiliate, who has been terminated as a direct result of the restructuring of the electric industry.

### Effective Date

Income years beginning on or after January 1, 1999.

### Credit Amount

The credit amount available to each electric supplier is \$1,500 for each displaced worker that is hired. The credit is allowed in the income year in which the displaced worker first completes six full months of full-time employment.

Electric suppliers can only claim credits once for each displaced worker that is hired.

### Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

### How to Apply

Complete **Form CT-1120 DEWC**, *Tax Credit for Displaced Workers Hired by Electric Suppliers*. Forms are available anytime from the DRS Web site at **www.ct.gov/DRS** by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

### Attachments Required

Attach **Form CT-1120 DEWC** to **Form CT-1120K**, *Business Tax Credit Summary*.

### Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

### REFERENCES:

*Conn. Gen. Stat. §§12-217bb and 16-1.*

---

## ***Notes***

---



---

---

## Donation of Open Space Land Credit

### Description

A credit against the Connecticut corporation business tax is available in an amount equal to 50% of any **donation of open space land**.

In order to qualify for the credit, the donated land must be permanently preserved as protected open space.

For purposes of calculating the credit, the amount of the donation shall be based on the **use value** of the donated open space land.

### Definitions

*Donation of open space land* means the value of any land conveyed without financial consideration, or the value of any discount of the sale price in any sale of land or any interest in land, to the state, a political subdivision of the State, or a non-profit land conservation organization, where the land is to be permanently preserved as protected open space.

*Use value* means the fair market value of land at its highest and best use, as determined by a certified real estate appraiser.

### Effective Date

Income years beginning on or after January 1, 1999.

### Credit Percentage

The credit amount available is equal to 50% of any donation of open space land.

### Carryforward/Carryback Limitations

For income years beginning on or after January 1, 2000, any unused credit may be carried forward for a period of no more than ten successive income years until the credit is fully taken. No carryback is allowed.

### How to Apply

Complete **Form CT-1120 DOS**, *Donation of Open Space Land Credit*, to claim this credit. Forms are available anytime from the DRS Web site at **www.ct.gov/DRS** by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

### Attachments Required

Attach **Form CT-1120 DOS** to **Form CT-1120K**, *Business Tax Credit Summary*.

### Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

### REFERENCES:

*Conn. Gen. Stat. §12-217dd.*

---

## ***Notes***

---

---

---

# Electronic Data Processing Equipment Property Tax Credit

## Description

A credit equal to 100% of the personal property tax owed and paid on **electronic data processing (EDP) equipment** during any income year may be applied against certain Connecticut business taxes.

## Definition

*Electronic data processing equipment* is defined as computers, printers, peripheral computer equipment, bundled software, and any computer-based equipment acting as a computer, as defined under Section 168 of the Internal Revenue Code of 1986, and any other equipment reported as a Code 20 on the Personal Property Declaration as prescribed by the Secretary of the Office of Policy and Management according to Conn. Gen. Stat. §12-27.

If the EDP equipment is leased, the lessee shall be entitled to claim this credit if the lease by its terms or operation imposes on the lessee the cost of the personal property taxes on such equipment. However, the lessor and lessee may elect in writing that the lessor may claim the credit. The written election must be attached to the tax return filed by the lessor.

## Credit Percentage

The amount allowed as a credit is 100% of the Connecticut personal property tax owed and paid in any income year on EDP equipment. No credit shall be allowed for any interest or penalty paid.

## How to Compute the Credit

The credit is applied first against the corporation business tax after all other tax credits have been applied, and then may be applied against any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Unrelated business income of nonprofit corporations tax (Chapter 208a);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

## Combined Return Filers

If a taxpayer is filing **Form CT-1120CR**, *Combined Corporation Business Tax Return*, this credit shall be allowed on a combined basis so that the EDP equipment property tax credits of each company will be combined and allowed against the combined tax liability of the members included in the combined return.

## Carryforward/Carryback Limitations

If the amount of credit allowable in any income year exceeds the Connecticut corporation business tax and any taxes imposed by Chapter 207, 208a, 209, 210, 211, or 212 (after all other credits allowable against such taxes have first been applied), then any unused credit balance may be carried forward to any of the five succeeding income years. No carryback is allowed.

## **How to Apply**

Complete **Form CT-1120 EDPC**, *Electronic Data Processing Equipment Property Tax Credit*. Forms are available anytime from the DRS Web site at **www.ct.gov/DRS** by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## **Attachments Required**

Attach **Form CT-1120 EDPC** to **Form CT-1120K**, *Business Tax Credit Summary*. If the lessor is electing to claim the credit, the written election also must be attached.

## **Where to Get Additional Information**

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

## **REFERENCES:**

*Conn. Gen. Stat. §12-217t.*

---

---

# Employer-Assisted Housing Tax Credit

## Description

A credit may be applied against various Connecticut business taxes for amounts paid by a **business firm** during the income year into a revolving loan fund that is established to provide loans for housing in Connecticut for low and moderate income employees of the business firm or any subsidiary of the business firm.

## Definition

**Business Firm** means any business entity authorized to do business in Connecticut and subject to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

## Uses of the Revolving Loan Fund

When **purchasing** a primary residence located in Connecticut, an eligible employee may borrow from the fund to finance the downpayment, to pay closing costs, to buy down the interest rate, or for other allowable expenses such as:

- Utility connections;
- Moving costs; **or**
- Appliances.

When **renting** a primary residence in Connecticut, an eligible employee may borrow funds for the security deposit or advance rental payments.

## Eligible Employees and Properties

Full-time employees who meet income eligibility limits may borrow from the fund. Each year, the Connecticut Housing Finance Authority (CHFA) sets maximum household income limits based on property location and family size. Contact CHFA to determine income limits.

To be eligible for a loan, an employee purchasing a home in Connecticut must meet program price limits. The maximum allowable purchase price varies based on property type, existing or new construction, and location. The loan cannot exceed 25% of the purchase price.

## Ineligible Businesses

The following types of companies are **not eligible** to apply for this credit:

- Banks;
- Bank and trust companies;
- Insurance companies;
- Trust companies;
- National banks;
- Savings associations;
- Building and loan associations; **or**
- Business entities that make loans as part of their normal business activities.

## Credit Amount

The credit applied against the Connecticut corporation business tax is equal to the amount paid into the revolving loan fund during the income year; however, the maximum credit allowed to any business firm is \$100,000 annually, and the maximum credit allowed in the aggregate to all business firms is \$1,000,000 annually.

## How to Compute the Credit

Business firms receive tax credits equal to the amount contributed into the revolving loan fund. CHFA issues a Certificate of Compliance that lists the tax credit amount the business firm is entitled to claim on its tax return. This amount must be entered on **Form**

**CT-1120K, Business Tax Credit Summary.** The credit must be claimed on the tax return for the income year during which the business firm made payment into the revolving loan fund.

The credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

### **Carryforward/Carryback Limitations**

Any tax credit not used in the period during which the investment was made may be carried forward or carried back for the five immediately succeeding or preceding income years until the full credit has been taken.

### **Recapture Provisions**

For income years beginning on or after January 1, 1998, any business firm that does not loan at least 60% of the fund's capital within three years after the date the revolving loan fund is established will be required to recapture some or all of the previous tax credits claimed. CHFA notifies the business firm and DRS that recapture is required, and the business firm must recapture the tax credit on the first tax return required to be filed on or after the date of the CHFA notice.

### **How to Apply**

Application packets can be obtained by calling CHFA's Asset Management staff at 860-721-9501, Ext. 362. The application should be submitted to CHFA on or before November 1 annually. The application should include:

- An Employee Assistance Plan that details the terms established by each company of how loans will be made using the Revolving Loan Fund;
- A Fund Establishment Certificate that certifies that the business firm will establish the fund in accordance with the plan;

- Proof of incorporation and a current Connecticut Certificate of Good Standing that must be no more than three months old to be considered current, which may be obtained from the Office of the Secretary of the State;
- A non-refundable application fee of:
  - \$125 for loan fund applications of \$1,000 to \$50,000;
  - \$250 for loan fund applications of \$50,000 to \$100,000; **and**
- A Prior Participation Certificate (if applicable).

Complete **Form CT-1120 EAH, Employer-Assisted Housing Credit**, to claim this credit. Forms are available anytime from the DRS Web site at **www.ct.gov/DRS** by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

### **Allocation**

If the total tax credits requested by all business firms exceed \$1 million, CHFA will conduct a lottery to randomly approve applications and allocate credits. On or about January 31 of each year, business firms will be notified whether their proposed loan funds have been approved.

### **Attachments Required**

Attach **Form CT-1120 EAH** to **Form CT-1120K**.

### **Where to Get Additional Information**

Direct inquiries to:

*Connecticut Housing Finance Authority  
Employer Assisted Housing Tax Credit Unit  
999 West Street  
Rocky Hill CT 06067-4005*

*860-721-9501, Ext. 362*

*www.chfa.org*

### **REFERENCES:**

*Conn. Gen. Stat. §12-217p.*



---

---

# Enterprise Zone Credit for Qualifying Corporations

## Description

A credit may be applied against the Connecticut corporation business tax by a **qualifying corporation**.

## Definitions

**Qualifying corporation** means a corporation that is created on or after January 1, 1997, (i.e., incorporated on or after such date) in an enterprise zone or other area designated as having enterprise zone level benefits, and which either:

- Has 375 or **more** employees, at least 40% of whom:
  - Are residents of the municipality in which the enterprise zone is located; **and**
  - Qualify under the Job Training Partnership Act;

**OR**

- Has **fewer** than 375 employees, at least 150 of whom:
  - Are residents of the municipality in which the enterprise zone is located; **and**
  - Qualify under the Job Training Partnership Act.

An **Enterprise Zone** is any area designated by the Commissioner of the Department of Economic and Community Development (DECD) as an Enterprise Zone. A municipality with a designated Enterprise Zone is defined as a **Targeted Investment Community**.

Areas that are currently designated as Enterprise Zones are situated within the following municipalities:

Bridgeport	Meriden	Norwich
Bristol	Middletown	Southington
East Hartford	New Britain	Stamford
Groton	New Haven	Waterbury
Hamden	New London	Windham
Hartford	Norwalk	

In addition, the following locations are designated as having Enterprise Zone level benefits:

- Enterprise Corridor Zones;
- Qualified Manufacturing Plant;
- Railroad Depot Zones;
- Contiguous Municipality Zone;
- Defense Plant Zone; **and**
- Manufacturing Plant Zone.

**Enterprise Corridor Zones** are located along Route 8 in the state's Naugatuck Valley and Interstate 395 in the eastern region of the state.

The municipalities designated by the Commissioner of DECD as located within Enterprise Corridor Zones are:

Ansonia	Lisbon	Seymour
Beacon Falls	Naugatuck	Sprague
Derby	Plainfield	Sterling
Griswold	Putnam	Thompson
Killingly		

A **Qualified Manufacturing Plant** is a manufacturing facility designated by the Commissioner of DECD as a Qualified Manufacturing Plant. The benefits available to an eligible corporation completing an approved project in a Qualified Manufacturing Plant are the same as in an Enterprise Zone and subject to the same qualifying terms and conditions.

A **Railroad Depot Zone** is an area designated by the Commissioner of DECD as a Railroad Depot Zone. It abuts an active or inactive rail line and contains manufacturing or warehousing facilities that were originally dependent on railroad access to operate.

The **Contiguous Municipality Zone**, the **Manufacturing Plant Zone**, and the **Defense Plant Zone** are areas designated by the Commissioner of DECD as having Enterprise Zone level benefits. The municipalities containing these zones are **not** considered to be Targeted Investment Communities. The Town of Plainville contains the only designated Contiguous Municipality Zone. The Town of Bloomfield contains the only designated Manufacturing Plant Zone. The State's only Defense Plant Zone is located in Stratford.

## **Credit Percentage**

The credit amount applied against the corporation business tax is equal to:

### ***Years 1 through 3***

100% of the corporation business tax liability;

### ***Years 4 through 10***

50% of the corporation business tax liability.

## **Carryforward/Carryback Limitations**

No carryforward or carryback is allowed.

## **How to Apply**

Corporations may call DECD at 860-270-8143 and request the Enterprise Zone Program pre-application questionnaire.

## **Application and Attachment Information**

Upon review of the completed pre-application questionnaire, a DECD staff representative will contact the corporation to discuss the program further and to explain the formal application process. The completion of the initial questionnaire does not constitute a formal application for the credit.

Once a formal application is approved, DECD will issue to the corporation Forms UT-4, Eligibility Certificate for Enterprise Zone Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

## **Where to Get Additional Information**

Direct inquiries to:

*Department of Economic and  
Community Development*

*505 Hudson Street  
Hartford CT 06106*

*860-270-8143*

*www.ct.gov/ecd*

### **REFERENCES:**

*Conn. Gen. Stat. §§12-217v, 32-9p, and  
32-70.*



---

---

# Financial Institutions Credit

## Description

A credit that may be applied against the Connecticut corporation business tax is granted to **financial institutions** that build and occupy a facility located in Connecticut of at least 900,000 square feet, and create and maintain an average of 1,200 to 2,000 **qualified employees** in Connecticut. The credit is allowed for ten consecutive years, but this period may be extended for an additional five years if the taxpayer employs an average of at least 3,000 employees in the income year following the ten year period. The credit is allowed for a maximum of 15 consecutive years.

Depending upon the number of **qualified employees** employed by the financial institution, the amount of the credit allowed to an eligible financial institution varies from 30% to 50% of its corporation business tax liability. The aggregate credit is limited to between \$72 million and \$120 million over the ten-year period for which it is claimed. If the credit is taken for the additional five-year period, the amount of the credit allowed to an eligible financial institution for the eleventh through fifteenth year is 25% of its corporation business tax liability, and the total aggregate credit is limited to \$145 million over the 15-year period.

The Financial Institutions Credit may be taken against the tax of the combined group in the case of a financial institution included on a **Form CT-1120CR**, *Combined Corporation Business Tax Return*.

The Financial Institutions Credit must be claimed prior to any other credits allowed against the Connecticut corporation business tax. A taxpayer claiming this credit is not eligible to claim the *Fixed Capital Investment Credit*, Conn. Gen. Stat. §12-217w.

## Requirements

As described below, a financial institution is entitled to the Financial Institutions Credit if it satisfies **certain** requirements during the initial qualified year and subsequent qualified years.

### *Initial Qualified Year (Year 1)*

A financial institution is entitled to the credit if, during the initial qualified year, it:

- Constructs a new facility in Connecticut of at least 900,000 gross square feet for the exclusive purpose of carrying on the business of a financial institution;
- Obtains a temporary or permanent certificate of occupancy for such facility;
- Employs during the income year for which the credit is claimed an average of at least 1,200 to 2,000 **qualified employees** (see *Credit Amount*, Page 27); **and**
- Obtains an initial Certificate of Eligibility from the Commissioner of the Department of Economic and Community Development (DECD).

In the case of a taxpayer receiving financial assistance under Conn. Gen. Stat. §32-236, the initial qualifying year is the year in which DECD executes an agreement to provide financial assistance.

### *Subsequent Qualified Years (Years 2 through 10)*

A financial institution will continue to be entitled to the credit if, during the subsequent qualified years, it:

- Continues to employ during the income years for which the credit will be claimed an average of 1,200 to 2,000 qualified employees (see *Credit Amount*, Page 27); **and**
- Obtains an annual eligibility certificate from the Commissioner of DECD.

### ***Additional Qualified Years (Years 11 through 15)***

A financial institution may claim a credit in years 11 through 15 if it:

- Employs an average of at least 3,000 **qualified employees** in each of years 11 through 15; **and**
- Has been issued a certificate by the Commissioner of DECD.

### **Definitions**

For purposes of this credit, the following definitions apply:

A ***financial institution*** is:

- Any bank, holding company, or out-of-state bank, as defined in Conn. Gen. Stat. §36a-2, and any out-of-state holding company, as defined in Conn. Gen. Stat. §36a-410; or
- Any establishment described in major group 61 or 62 in the *Standard Industrial Classification (SIC) Manual, 1987*, or in Subsector 522 or 523 in the *North American Industry Classification System (NAICS), United States, 1997*, as engaged primarily in the extending of credit in the form of loans or the underwriting, purchase, sale, or brokerage of securities and other financial contracts on its own account or for the account of others, and exchanges, exchange clearinghouses, and other services allied with the exchange of securities and commodities or a holding company controlling any such establishment.

A ***qualified employee*** is an individual whose **compensation is paid within this state** and is either:

- Employed directly by the financial institution or a **related person** and works an average of at least 35 hours per week for at least eight consecutive weeks; **or**
- An independent contractor of the financial institution or of a **related person** and works an average of at least 35 hours per week for at least eight consecutive weeks for the financial institution or the related person;

**OR**

- An employee or principal of a company other than the financial institution or a related person if:

- The individual works an average of at least 35 hours per week for at least eight consecutive weeks providing services to the financial institution or a related person; **and**
- The company derives at least 80% of its gross revenues from the financial institution, from one or more related persons, or from a combination thereof.

However, this general definition is subject to several limitations (See Conn. Gen. Stat. §12-217u(d)). For example, a qualified employee does **not** include an individual who would have satisfied the criteria of a qualified employee before the Commissioner of DECD approved the financial institution's proposal to create new positions in Connecticut.

***Compensation is paid within this state*** if the individual's service is performed entirely within the state or if the individual's service is performed both within and outside the state, but the service performed outside the state is incidental to the individual's service within the state.

Special rules apply to determining the number of qualified employees with respect to any taxpayer who has received financial assistance under Conn. Gen. Stat. §32-236. (See Conn. Gen. Stat. §12-217u(n)(3)).

A ***related person*** means a corporation, limited liability company, partnership, trust, association, unincorporated organization, or similar organization that is controlled by the financial institution.

With respect to a corporation, ***control*** means ownership of stock possessing at least 50% of the total combined voting power of all classes of stock entitled to vote. With respect to a partnership, association, or similar unincorporated organization, ***control*** means ownership of at least 50% of the capital or profits interest in such partnership or association. With respect to a trust, ***control*** means ownership of at least 50% of the beneficial interest in the principal or income of such trust. (Ownership is determined as provided in Section 267(c) of the Internal Revenue Code of 1986, as in effect on October 14, 1994, other than paragraph (3) of that section.)

The *average number of qualified employees* is the sum of:

- The average of the number of qualified employees reported on federal Form 941, Employer's Quarterly Federal Tax Return of the financial institution or a related person;
- The average of the number of qualified employees who are included on the quarterly reports required to be submitted to the Commissioner of DECD. Conn. Gen. Stat. §12-217u(g) requires quarterly reports of the number of individuals to whom the financial institution or a related person made payments of \$600 or more that must be reported as provided by Section 6041 of the Internal Revenue Code of 1986; **and**
- The average of the number of qualified employees reported on federal Form 941, Employer's Quarterly Federal Tax Return of the company described in Conn. Gen. Stat. §12-217u(d)(1)(c).

### Credit Amount

During the initial and subsequent qualified years, a financial institution that satisfies the above requirements will be eligible for the amount of credit indicated below:

Average Number of Qualified Employees Employed During the Year	Percentage of Corporation Business Tax That May be Taken as a Credit	Maximum Aggregate Amount of Credit That May be Taken over Ten Year Period
1,200 – 1,599	30%	\$72 million
1,600 – 1,999	40%	\$96 million
2,000 or more	50%	\$120 million

### Additional Five-Year Period

If the financial institution satisfies the requirements for the additional five-year credit period by employing an average of 3,000 or more qualified employees, then it is eligible for a 25% credit for years 11 through 15. The aggregate amount of credit over the 15-year period may not exceed \$145 million.

### How to Compute the Credit

For years one through ten, the amount of the credit allowed to an eligible financial institution varies from 30% to 50%, depending upon the number of qualified employees employed by the corporation. The credit must be taken before any other credits for which the company is eligible.

### Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

### How to Apply

A financial institution that intends to build and occupy a facility located in Connecticut of at least 900,000 square feet and to create and maintain new jobs in Connecticut should submit a proposal to the Commissioner of DECD. The Commissioner of DECD, in consultation with the Commissioner of Banking and the Commissioner of Revenue Services, determines whether the applicant is eligible for the credit. If the proposal is approved, the Commissioner of DECD will issue an eligibility certificate to the financial institution.

### Where to Get Additional Information

Direct inquiries to:

*Department of Economic  
and Community Development  
Managing Director, Business Recruitment  
Division  
505 Hudson Street  
Hartford CT 06106  
  
860-270-8040  
www.ct.gov/ecd*

### REFERENCES:

*Conn. Gen. Stat. §§12-217u, 36a-2, and 36a-410; 26 U.S.C. §§267(c) and 6041.*

---

## *Notes*

---

---

---

# Fixed Capital Investment Credit

## Description

A credit may be applied against the Connecticut corporation business tax for amounts paid or incurred for fixed capital.

## Definitions

**Fixed capital** means any **new** tangible personal property that meets **all** of the following criteria:

- It must have a class life of more than four years;
- It must have been purchased from someone other than a **related person**;
- It is not leased to another person within 12 months of purchase; **and**
- It will be held and used in Connecticut by a corporation in the ordinary course of the corporation's trade or business in Connecticut for a period of not less than five full years following its purchase.

Fixed capital does **not** include:

- Inventory;
- Land;
- Buildings or structures; **or**
- **Mobile transportation property.**

**Related person** means a corporation, partnership, association, or trust controlled by such corporation; an individual, corporation, partnership, association, or trust that is in control of such corporation; a corporation, partnership, association, or trust controlled by an individual, corporation, partnership, association, or trust that is in control of such corporation; or a member of the same controlled group as such corporation.

With respect to a corporation, **control** means ownership, directly or indirectly, of stock possessing 50% or more of the total combined voting power of all classes of the stock of such corporation entitled to vote;

with respect to a trust, **control** means ownership, directly or indirectly, of 50% or more of the beneficial interest in the principal or income of such trust. (Ownership is determined as provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code of the United States, as from time to time amended, other than paragraph (3) of that section.)

**Mobile transportation property** is considered to be any transport equipment that is designed to move or convey people or property from one place to another, including but not limited to:

- Trucks;
- Buses;
- Forklifts;
- Snowplows; **or**
- Certain construction equipment such as backhoes, bulldozers, cement mixers, and loaders.

## Effective Date

Income years beginning on or after January 1, 1998.

## Credit Percentage

The credit percentage is 5%.

## Carryforward/Carryback Limitations

Any tax credit not used during the income year in which the acquisition was made may be carried forward to the next five succeeding income years until the entire credit is used. No carryback is allowed.

## How to Apply

Complete **Form CT-1120 FCIC**, *Fixed Capital Investment Credit*, to claim this credit. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## Recapture Provisions

- If the fixed capital on account of which a corporation claimed the credit is not held and used in Connecticut in the ordinary course of the corporation's trade or business in Connecticut for three full years following its acquisition, the corporation will be required to recapture 100% of the amount of the credit allowed on its corporation business tax return required to be filed for the income year immediately succeeding the income year during which the three-year period expires.
- If the fixed capital on account of which a corporation claimed the credit is not held and used in Connecticut in the ordinary course of the corporation's trade or business in Connecticut for five full years following its acquisition, the corporation will be required to recapture 50% of the amount of the credit allowed on its corporation business tax return required to be filed for the income year immediately succeeding the income year during which the five-year period expires.
- The recapture provisions do not apply if the property that is the subject of the tax credit is replaced.
- If the recapture amount is not paid when due, it shall accrue interest at 1% per month or fraction of a month from the due date to the date of payment.

## Additional Provisions

- The credit allowed cannot exceed the amount of the tax liability.
- Corporations claiming expenditures for the Fixed Capital Investment Credit cannot claim or use the same expenditures against any other corporation business tax credit.

## Attachments Required

**Form CT-1120 FCIC**, *Fixed Capital Investment Credit*, along with the required detailed schedules, must be attached to **Form CT-1120K**, *Business Tax Credit Summary*.

## Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

## REFERENCES:

*Conn. Gen. Stat. §12-217w.*



---

---

# Hiring Incentive Tax Credit

## Description

A credit may be applied against the Connecticut corporation business tax by **business firms** that hire recipients of Temporary Family Assistance (TFA).

## Definitions

A **qualifying employee** is any employee who:

- Is employed not less than 30 hours per week; **and**
- At the time of employment, has been receiving benefits from the TFA program for more than nine months and meets other requirements that the Commissioner of the Connecticut Department of Labor (CTDOL) may establish in regulations adopted in accordance with Chapter 54.

**Business firm** means any business entity authorized to do business in Connecticut and subject to the corporation business tax.

## Eligibility Requirements

In order to qualify for this program, a business firm must:

- Submit an application to the Commissioner of CTDOL on or after July 1 but not later than December 31;
- Receive reservation approval to hire an eligible TFA recipient by December 31; **and**
- Employ a qualifying TFA recipient for a minimum of 30 hours per week for a full calendar month.

## Credit Amount

A business firm may claim a tax credit on its tax return for the income year during which a **qualifying employee** was employed, in the amount of \$125 for each full month that the employee was employed. The maximum credit allowed to all business firms in any one fiscal year is \$1 million.

No credit shall be allowed, with respect to wages paid to any qualifying employee, to any business firm that has previously been granted a tax credit with respect to wages paid to the same employee.

## How to Compute the Credit

Calculate the credit on **Form CT-1120 HIC**, *Hiring Incentive Tax Credit*, by multiplying the number of complete calendar months worked by a qualifying employee during the income year by \$125. The credit amount reported on **Form CT-1120 HIC** must be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## Carryforward/Carryback Limitations

Any unused credit balance can be carried forward and applied to five successive income years. No carryback is allowed.

## **How to Apply**

Forms necessary to apply for the Hiring Incentive Tax Credit are available from the CTDOL Web site at **www.ctdol.state.ct.us** or by contacting CTDOL Program Support Unit at 860-263-6030. Forms must be submitted to CTDOL between July 1 and December 31 of each year. Applications will be approved or denied in the order in which they are received.

## **Attachments Required**

Attach **Form CT-1120 HIC** to **Form CT-1120K**.

## **Where to Get Additional Information**

Direct inquiries to:

*Connecticut Department of Labor  
Program Support Tax Credit Unit  
200 Folly Brook Blvd.*

*Wethersfield CT 06109-1114*

*860-263-6030*

*www.ctdol.state.ct.us*

## **REFERENCES:**

*Conn. Gen. Stat. §12-217y.*



---

---

# Historic Homes Rehabilitation Credit

## Description

A tax credit voucher system, which is administered by the Connecticut Commission on Culture and Tourism (the Commission), provides tax credits for **owners** rehabilitating **historic homes** or taxpayers making contributions to **qualified rehabilitation expenditures**.

## Definitions

**Owner** means any taxpayer filing a State of Connecticut tax return who possesses title to an historic home or prospective title to an historic home in the form of a purchase agreement or option to purchase, or a non-profit corporation that possesses such title or prospective title.

**Historic home** means a building that:

- Will contain one to four dwelling units of which at least one unit will be occupied as the principal residence of the owner for not less than five years following the completion of rehabilitation work;
- Is located in a **targeted area**; **and**
- Is listed individually on the National or State Register of Historic Places, or located in a district listed on the National or State Register of Historic Places, and has been certified by the Commission as contributing to the historic character of the district.

**Qualified rehabilitation expenditures** means any costs incurred for the physical construction involved in the rehabilitation of an historic home, but excludes:

- The owner's personal labor;
- The cost of site improvements, unless to provide building access to persons with disabilities;
- The cost of a new addition, except as may be required to comply with any provision of the State Building Code or the State Fire Safety Code;

- Any cost associated with the rehabilitation of an outbuilding, unless such building contributes to the historical significance of the historic home; **and**
- Any nonconstruction costs such as architectural fees, legal fees, and financing fees.

**Targeted area** means:

- A federally designated *qualified census tract* in which 70% or more of the families have a median income of 80% or less of the state-wide median family income;
- A state designated and federally approved area of chronic economic distress; **or**
- An urban and regional center as identified in the Connecticut Conservation and Development Policies Plan.

## Qualifying for the Credit

Prior to beginning any rehabilitation work on an historic home, the owner shall submit to the Commission:

- A rehabilitation plan for a determination of whether such rehabilitation work meets the standards required, **and**
- An estimate of the qualified rehabilitation expenditures.

If the Commission certifies that the rehabilitation plan conforms to the standards for the approval of the rehabilitation, the Commission shall reserve for the benefit of the owner an allocation for a tax credit equivalent to 30% of the projected qualified rehabilitation expenditures.

Following the completion of the rehabilitation of an historic home, the owner shall notify the Commission. The owner shall provide the Commission with documentation of work performed on the historic home and shall certify the cost incurred in rehabilitating the home. The Commission shall review such rehabilitation and verify its compliance with the rehabilitation plan. Following such verification, the Commission shall issue a tax credit voucher to either the owner rehabilitating the historic home or to the taxpayer named by the owner as contributing to the rehabilitation.

The owner is not eligible for a tax credit voucher unless the owner incurs qualified rehabilitation expenditures exceeding \$25,000. The owner must verify that he or she will occupy the historic home as his or her primary residence for at least five years, or that the owner will convey the home to a new owner who will occupy the home as his or her primary residence for at least five years, or record an encumbrance in favor of the funding source that will require the owner or owner's successors to occupy the home for five years.

In no event shall any credit allowed exceed \$30,000 per dwelling unit for an historic home. The aggregate amount of tax credits reserved in any fiscal year may not exceed \$3 million.

### **Credit Percentage**

The credit is equal to the lesser of 30% of the projected qualified rehabilitation expenditures or 30% of the actual rehabilitation expenditures.

### **Carryforward/Carryback Limitations**

The credit may be carried forward for four years following the year in which the voucher was issued. No carryback is allowed.

### **How to Apply**

Applications for the tax credit voucher must be made with the Commission. Contact the Commission at 860-566-3005, Ext. 317 for application information.

Complete **Form CT-1120 HHR**, *Historic Homes Rehabilitation Credit*, to claim this credit. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

### **How to Compute the Credit**

The tax credit must be taken by the holder of the tax credit voucher in the same year in which the voucher is issued.

The amount listed on the tax credit voucher must be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

The credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

### **Attachments Required**

Attach **Form CT-1120 HHR** to **Form CT-1120K**.

### **Where to Get Additional Information**

Direct inquiries to:

*Connecticut Commission  
on Culture and Tourism  
Hartford CT 06106*

*860-566-3005 Ext. 317*

### **REFERENCES:**

*Conn. Gen. Stat. §10-320j, as amended by 2004 Conn. Pub. Acts 2, §30 (May Spec. Sess.); Conn. Agencies Regs. §§10-320j-1 through 10-320j-9.*

---

---

# Housing Program Contribution Credit

## Description

A tax credit voucher system, which is administered by the Connecticut Housing Finance Authority (CHFA), provides tax credits for cash contributions made by business firms to housing programs sponsored, developed, or managed by non-profit corporations that benefit low and moderate income individuals and families. The credit may be applied against various Connecticut business taxes.

The Housing Program Contribution Credit was created to encourage cooperation between non-profit and for-profit firms to develop affordable housing that otherwise would not be built. The contributions provided by business firms can reduce the amount of financing a project needs.

## Definition

**Business firm** means any business entity authorized to do business in Connecticut and subject to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

## Credit Percentage

A tax credit voucher may be granted by CHFA in an amount equal to 100% of the cash contribution made. The annual minimum credit allowed to any business firm is \$250, but there is no annual maximum credit that may be granted to any business firm. The maximum

credit allowed in the aggregate to all business firms is \$5 million. Until November 1 of each year, \$1 million of the total amount of tax credits shall be set aside for the Supportive Housing Pilots Initiative to the extent that such applicants are submitted for the annual funding round. In addition, no organization conducting an eligible housing program may receive cash contributions in excess of \$400,000 in any fiscal year.

## Carryforward/Carryback Limitations

The amount of tax credit that is not used in the income year for which the credit is issued may be carried forward or back for the five immediately succeeding or preceding income years until the full credit is taken.

## How to Apply

An application package can be obtained by calling CHFA Tax Credit Unit at 860-721-9501, Ext. 377.

The application information should include:

- The name of the housing program(s) to be funded;
- The amount of each cash contribution;
- A letter(s) of intent from the business firm to the non-profit corporation(s) listing actual cash amount to be contributed and endorsed; **and**
- A Certificate of Legal Existence and a Certificate of Incorporation (obtained from the Office of the Secretary of the State).

Upon verification that the contribution has been made, CHFA will issue a tax credit voucher to the business firm.

Complete **Form CT-1120 HPC**, *Housing Program Contribution Credit*, to claim this credit. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## How to Compute the Credit

The credit must first be claimed on the tax return for the business firm's income year during which the cash contribution was made. The tax credit voucher issued by CHFA lists the tax credit amount that may be claimed. This amount must be entered on **Form CT-1120 HPC** and **CT-1120K**, *Business Tax Credit Summary*.

No business firm shall receive both the Housing Program Contribution Credit and the Neighborhood Assistance Act Credit for the same cash contribution.

The credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); **or**
- Utility companies tax (Chapter 212).

## Attachments Required

Attach **Form CT-1120 HPC** to **Form CT-1120K**.

## Where to Get Additional Information

Direct inquiries to:

*Connecticut Housing Finance Authority  
Tax Credit Unit  
999 West Street  
Rocky Hill CT 06067-4005  
860-721-9501 Ext. 377  
www.chfa.org*

## REFERENCES:

*Conn. Gen. Stat. §8-395; Conn. Agencies Regs. §§8-395-1 through 8-395-10.*

---

---

# Human Capital Investment Credit

## Description

A credit may be applied against the Connecticut corporation business tax for amounts paid or incurred by a corporation for the following types of *human capital* investments:

- In-state job training of persons employed in Connecticut;
- Work education programs in Connecticut which include but are not limited to programs in public high schools and work education-diversified occupation programs;
- Worker training and education of persons employed in Connecticut provided by Connecticut institutions of higher learning;
- Donations or capital contributions to institutions of higher learning in Connecticut for improvements or advancement of technology, including physical plant improvements;
- Planning, site preparation, construction, renovation, or acquisition of facilities in Connecticut for the purpose of establishing a day care facility to be used primarily by the children of employees who are employed in Connecticut;
- Child care subsidies paid to employees employed in Connecticut for child care provided in Connecticut; **or**
- Contributions made to the Individual Development Account Reserve Fund, as defined in Conn. Gen. Stat. §31-51ww.

## Q & A on the Human Capital Investment Credit Applying to In-State Training of Persons Employed in Connecticut:

- 1. Do employees' salaries while training qualify?**  
No.
- 2. Can payroll taxes and fringe benefits be included?**  
No. These expenses are deemed actual employee expenses and not training expenses.
- 3. Does the cost of training materials qualify?**  
Yes, if the training takes place in Connecticut.
- 4. Does the training facility and depreciation expense qualify as an eligible training expense?**  
The cost of the training facility in Connecticut is allowed, but depreciation expenses do not qualify.
- 5. What other expenses qualify?**  
In determining whether certain expenses qualify for the credit, a distinction must be made between direct and indirect expenses. Direct training expenses qualify but indirect expenses do not qualify. For example, if a corporation hires a training instructor, the expenses of the instructor qualify to the extent that the expenses are directly related to training that meets the statutory requirements. Indirect expenses such as overhead do not qualify.
- 6. Does the cost of course registration qualify?**  
Yes.
- 7. Does tuition reimbursement qualify?**  
Yes, but the tuition must be paid to institutions of higher learning within Connecticut for training in Connecticut.
- 8. Do travel costs related to the training qualify?**  
Yes, provided the travel is within Connecticut.

## **Effective Date**

Income years beginning on or after January 1, 1998.

## **Credit Percentage**

The credit percentage is 5% (.05).

## **Carryforward/Carryback Limitations**

Any credit not used during the income year may be carried forward to the next five succeeding income years until the entire credit is used. No carryback is allowed.

## **How to Apply**

Complete **Form CT-1120 HCIC**, *Human Capital Investment Credit*. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## **Additional Provisions**

Corporations claiming expenditures for the Human Capital Investment Credit cannot claim or use the same expenditures against any other corporation business tax credit.

## **Attachments Required**

**Form CT-1120 HCIC**, along with required detailed schedules must be attached to **Form CT-1120K**, *Business Tax Credit Summary*.

## **Where to Get Additional Information**

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
[www.ct.gov/DRS](http://www.ct.gov/DRS)*

## **REFERENCES:**

*Conn. Gen. Stat. §12-217x.*



---

---

# Insurance Reinvestment Fund Credit

## Description

Tax credits are available for investments made in an Insurance Reinvestment Fund that invests in Connecticut companies engaged in an insurance business or providing services to insurance companies. This tax credit is administered by the Department of Economic and Community Development (DECD).

Only investments made in an Insurance Reinvestment Fund that was registered and approved by DECD on or before July 1, 2000, qualify for the credit. **At this time all funds are closed and thus are no longer open to new investors.** No tax credit shall be granted for investments made in an insurance business after December 31, 2015.

The credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Income tax (Chapter 229); **or**
- Surplus lines tax (Conn. Gen. Stat. §38a-743).

## Claiming the Credit

The tax credit may only be claimed with respect to an income year for which a certification of continued eligibility is issued by DECD to the insurance business in which the investment was made. In order to obtain a certificate of continued eligibility, the insurance business in which the investment was made must annually submit the information required by DECD to determine whether the occupancy and employment requirements have been met. The certificate of continued eligibility is issued on the first day of the third month following the close of the insurance business' income year.

The tax credit is claimed by completing **Form CT-IRF, Insurance Reinvestment Fund**.

The same investment in an insurance business cannot generate tax credits for both the investor and the insurance business. For example, the investment that allows an eligible insurance business to qualify for the Manufacturing Facility in a Targeted Investment Community credit (**Form CT-1120 TIC/EZ, Manufacturing Facility Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone**) cannot also be used to claim the Insurance Reinvestment Fund credit.

The tax credits may be assigned by the taxpayer to another person provided such person may claim the credit only with respect to a calendar year for which the assigning taxpayer would have been eligible to claim the credit.

## Credit Percentage

The credit is allowable over ten years as follows:

Years	Percentage
Years 1 through 3	0%
Years 4 through 7	10%
Years 8 through 10	20%

## Carryforward/Carryback Limitations

Any unused credit balance may be carried forward for the five immediately succeeding income years until the entire credit is taken. No carryback is allowed.

## How to Compute the Credit

Computation procedures can be obtained by calling DECD at 860-270-8128.

## Recapture Provision

A taxpayer must recapture a percentage of the credit allowed for the entire period of eligibility if an investment is made in an insurance company or in a company that provides services to an insurance business if:

- The number of new employees on account of which a taxpayer claimed the credit decreases to less than 25% of its total work force for more than 60 days during any of the taxable years for which the credit is claimed;
- Those employees are not replaced by other employees who have not been shifted from an existing location of the subject insurance business in Connecticut; **and**
- The insurance business in which the investment was made has relocated to a location outside Connecticut.

The recapture shall not apply and the tax credits may continue to be claimed if, for the entire period that the credit is applicable, the decrease in the percentage of total work force employed in Connecticut on a regular, full-time and permanent basis does not result in an actual decrease in the number of persons employed by the subject insurance business in Connecticut.

The taxpayer must recapture a percentage of the credit that is related to an investment in a company that meets the requirements set forth above as follows:

Years	Percentage
Year 4	90%
Year 5	65%
Year 6	50%
Year 7	30%
Year 8	20%
Year 9 and 10	10%

The Commissioner of Revenue Services may recapture the credit first from any taxpayer who claimed the credit, then from any taxpayer who assigned the credit, and finally, from any fund through which the investment that generated the credit was made.

## Attachments Required

Attach **Form CT-IRF** to **Form CT-1120K**, *Business Tax Credit Summary*.

## Where to Get Additional Information

Direct inquiries to:

*Department of Economic  
and Community Development  
Attn: Michael Lettieri  
505 Hudson Street 2nd Floor  
Hartford CT 06106-7107*

*860-270-8128  
www.ct.gov/ecd*

## REFERENCES:

*Conn. Gen. Stat. §38a-88a*



---

---

# Machinery and Equipment Expenditure Credit

## Description

A credit against the Connecticut corporation business tax for expenditures in **machinery** and **equipment** is available to corporations that have no more than 800 full-time, permanent **employees** in Connecticut. The amount of the credit is based upon a percentage of the incremental increase in expenditures for machinery and equipment acquired for and installed in a facility in Connecticut that exceeds the amount spent for such expenditures in the prior income year.

The credit percentage available depends on the number of the corporation's **full-time**, permanent employees whose wages, salaries or other compensation is paid in Connecticut.

## Definitions

**Machinery** is the basic machine itself, including all of its component parts such as belts, pulleys, shafts, moving parts, operating structures, and all equipment or devices used or required to control, regulate, or operate the machinery, including without limitation computers and data processing equipment.

The term also includes all replacement and repair parts, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the taxpayer or another related party.

**Equipment** is a device separate from machinery but essential to the business. Repair and replacement parts for equipment also qualify for the credit under the same terms as provided for parts purchased for machinery.

An **employee** is any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee.

A **full-time employee** is any employee who is required to work an average of at least 35 hours per week for at least eight consecutive weeks.

## Credit Percentage

### *5% credit*

A 5% credit applies if the corporation employed between 251 and 800 full-time, permanent employees in Connecticut.

### *10% credit*

A 10% credit applies if the corporation had not more than 250 full-time, permanent employees in Connecticut.

## Carryback/Carryforward Limitation

No carryforward or carryback is allowed.

## How to Apply

Complete **Form CT-1120 MEC**, *Machinery and Equipment Credit*. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## How to Compute the Credit

Calculate the credit using **Form CT-1120 MEC**, by multiplying the appropriate percentage (5% or 10%) by the increase in machinery and equipment expenditures during the income year over the expenditures incurred during the preceding income year.

## Attachments Required

Schedules listing machinery and equipment expenditures and verification of the number of full-time employees must be attached to a completed **Form CT-1120 MEC**. The credit amount reported on **Form CT-1120 MEC** must be entered on **Form CT-1120K**, *Business Tax Credit Summary*. **Form CT-1120 MEC** and all schedules must be attached to **Form CT-1120K**.

## **Q & A on the Machinery and Equipment Expenditure Credit:**

### **1. How is the final number of employees determined?**

The final number of employees is determined by taking the average of the number of full-time, permanent employees in Connecticut that are reported on the employers' **Form CT-941, Connecticut Quarterly Reconciliation of Withholding**, for the income year.

### **2. Do motor vehicles, mobile transportation, or construction equipment (for interior or exterior use) expenses qualify?**

No. Conn. Gen. Stat. §12-217o requires that the machinery and equipment be installed in a facility in Connecticut.

### **3. What is the definition of “facility?”**

*Facility* means any plant, building, or other real property improvement used by the corporation in its trade or business.

### **4. When an asset is traded in, what is the taxpayer's expenditure for the asset that is replaced?**

The expenditure is the cash paid plus the consideration received for the asset traded.

### **5. What amount is taken into account on machinery and equipment expenditures and dispositions – gross or net purchases?**

The credit is based on *the amounts spent by the corporation on machinery and equipment* without regard to dispositions, reductions for the original tax cost or adjusted tax basis of disposed assets, or consideration received for disposed assets.

### **6. Do bundled, unbundled, custom, or canned software expenses qualify?**

Canned software qualifies if it is preloaded with the machinery on which it is used. However, custom software does not qualify.

## **Where to Get Additional Information**

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

## **REFERENCES:**

*Conn. Gen. Stat. §12-217o.*

---

---

# Neighborhood Assistance Program Credit

## Description

A credit may be applied against various Connecticut business taxes by a **business firm** that makes individual cash investments of at least \$250 to certain community programs that have received both municipal and state approval.

The cash investments must be made in community programs that are proposed and conducted by tax exempt or municipal agencies and must be approved both by the municipality in which programs are conducted and DRS.

## Definition

**Business firm** means any business entity authorized to do business in Connecticut and subject to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211);
- Utility companies tax (Chapter 212); **or**
- Public service companies tax (Chapter 212a).

## Examples of Eligible Programs

### *Neighborhood Assistance*

Programs that furnish financial assistance, labor, material, or technical advice to aid in the physical improvement of all or any part of a neighborhood.

### *Energy Conservation*

Energy conservation projects.

### *Employment and Training*

Employment and training programs.

### *Child Care Services*

Any activity that aids in child care services.

### *Alcohol Abuse Programs*

Any community-based alcoholism prevention or treatment programs.

### *Child Day Care Facilities*

Any program directed at the planning, site preparation, construction, renovation, or acquisition of facilities for the purpose of establishing a child day care facility and for equipment installed in such facility that is necessary to operate such facility. The amount of credit allowed to any one business firm for day care facilities cannot exceed \$50,000. No credit may be granted under the Neighborhood Assistance Act (NAA) for daycare if a taxpayer is claiming the *Human Capital Investment Credit* for the same expenditures for the same year.

### *Donation of Money to Open Space Acquisition Fund*

Any donation of money that is used for the purchase of land, interest in land, or permanent conservation restriction on land, which is to be permanently preserved as protected open space.

### *Crime Prevention*

Any activity that aids in the reduction of crime in Connecticut.

### *Construction or Rehabilitation*

Construction or rehabilitation of dwelling units for families of low or moderate income in Connecticut.

### *Community Services*

Any type of counseling and advice, emergency assistance, or medical care furnished to individuals or groups in Connecticut.

### *Job Training*

Any type of instruction to any person who resides in Connecticut that enables such person to acquire vocational skills to become employable or seek a higher grade of education.

## Credit Percentage

The credit amount available is equal to 60% of the approved contribution to programs approved by DRS. Except for the donation of money to an open space acquisition fund, the business firm's total charitable contributions during a taxable year must equal or exceed its total charitable contributions during the preceding taxable year.

The maximum credit allowed to any business firm is \$75,000 annually. A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate. The maximum credit allowed in the aggregate to all business firms is \$5 million in any one fiscal year.

No business firm shall receive both the NAA credit and the Housing Program Contribution Credit for the same cash contribution.

The NAA credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television systems companies tax (Chapter 211);
- Utility companies tax (Chapter 212); or
- Public Service companies tax (Chapter 212a).

## Carryforward/Carryback Limitations

No carryforward is allowed. Any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years (beginning with the earlier of such years).

## How to Apply

### *Non-profits and Municipalities*

Neighborhood organizations and Connecticut municipalities desiring to obtain benefits under the Neighborhood Assistance Act must complete **Form NAA-01, Connecticut Neighborhood Assistance Act**

(*NAA Program Proposal*, Parts I, II, and III, and submit it to the municipal agency that will be overseeing the implementation of the proposal. (The overseeing municipal agency will then complete **Form NAA-01**, Part IV and submit it to DRS on or before July 1 of each year.)

### *Business Firms*

Business firms that wish to make a cash contribution to a qualified community program can obtain a list of approved programs by September 1 of each year. The business firm is required to complete **Form NAA-02, Connecticut Neighborhood Assistance Act Business Application**, and mail or hand-deliver the form to DRS between September 15 through October 1 of each year.

For specific information, call DRS Research Unit at 860-297-5687. Application forms and the approved programs list are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## How to Compute the Credit

DRS issues a Neighborhood Assistance Program approval letter to corporations that make qualifying contributions. The letter indicates the tax credit amount that may be claimed on the Connecticut Corporation Business Tax Return. The credit amount must be entered on **Form CT-1120K, Business Tax Credit Summary**.

## Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services  
Neighborhood Assistance Act Program  
Attn: Research Unit  
25 Sigourney Street  
Hartford CT 06106  
  
860-297-5687  
[www.ct.gov/DRS](http://www.ct.gov/DRS)*

### **REFERENCES:**

*Conn. Gen. Stat. §§12-631 through 12-638  
(as amended).*

---

---

# Research and Development Credit for Grants to Institutions of Higher Education

## Description

A credit may be applied against the Connecticut corporation business tax for the incremental increase in amounts spent by a corporation for any grant or combination of grants to any **institution of higher education** in Connecticut made for the purposes of **research and development related to advancements in technology**.

## Definitions

An *institution of higher education* is any public or non-profit institution in Connecticut that:

- Admits regular students having a certificate of graduation from high school or equivalent certificate;
- Is licensed, accredited, or approved by the Board of Governors of Higher Education to provide a program beyond high school education; **and**
- Provides an educational program in Connecticut for which it awards a bachelor's or higher degree, or provides a program towards gainful employment.

*Research and development related to advancements in technology* means development of new products, development of new uses for existing products, and improving methods for producing products.

Research and development related to advancements in technology does **not** include:

- Testing or inspection for quality control purposes;
- Efficiency surveys, management studies, consumer surveys or other market research;
- Advertising or promotional activities; **or**
- Research in connection with literary, historical, or similar projects.

## Credit Percentage

The credit is equal to 25% of the amount by which qualifying grants made in the current income year exceed the average qualifying grants made during the three immediately preceding income years.

## Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

## How to Apply

Complete **Form CT-1120GC**, *Tax Credit for Research and Development Grants to Institutions of Higher Education*. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## How to Compute the Credit

**Form CT-1120GC** is used to compute the credit. Calculate the credit by multiplying by 25% the excess of the current income year's expenditures for research and development grants to Connecticut institutions of higher education over the average expenditures for such grants during the three immediately preceding income years. This amount must also be entered on **Form CT-1120K**, *Business Tax Credit Summary*. Attach **Form CT-1120GC** to **Form CT-1120K**.

## Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
[www.ct.gov/DRS](http://www.ct.gov/DRS)*

## REFERENCES:

*Conn. Gen. Stat. §12-217l.*

---

## ***Notes***

---



# Research and Development (Nonincremental) Expenditures Credit

## Description

A credit may be applied against the Connecticut corporation business tax for **research and development expenses** incurred in Connecticut.

## Definition

*Research and development expenses* are those expenses that may be deducted under Section 174 of the Internal Revenue Code of 1986, as in effect on May 28, 1993, and basic research payments as defined under Section 41 of the Internal Revenue Code of 1986, as in effect on May 28, 1993, provided: (A) such expenditures and payments are paid or incurred for such research and experimentation and basic research conducted in Connecticut; and (B) such expenditures and payments are not funded, as provided in Section 41(d)(4)(H) of the Internal Revenue Code of 1986, as in effect on May 28, 1993, by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless such other person is included in a combined return with the person paying or incurring such expenses.

Research and development expenses may include but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business that represent research and development costs in the experimental or laboratory sense;
- All costs incident to the development or improvement of a product, including any pilot model, process, formula, invention, technique, patent, or similar property. The product can be used by the corporation in its trade or business or can be held for sale, lease, or license; **or**

- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application.

The following are examples of Internal Revenue Code of 1986, Section 174 expenses that **do not** qualify:

- Overhead and other expenses, such as general and administrative expenses, that relate to a corporation's activities as a whole and do not contribute directly to the research and development effort; **or**
- The ordinary testing or inspection of materials or products for quality control, for efficiency surveys, management studies, consumer surveys, advertising or promotions, for research in connection with literary, historical, or similar projects, and the costs of acquiring another's patent, model, production, or process.

## Credit Percentage

A tentative credit of 6% is available to a **qualified small business**. A *qualified small business* is defined as a company that has gross income for the previous income year that does not exceed \$100 million and has not met the gross income test through transactions with a related person, as defined in Conn. Gen. Stat. §12-217w.

Companies headquartered in an Enterprise Zone, with revenues in excess of \$3 billion, employing more than 2,500 employees, may elect to multiply their research and development expenses by 3.5% instead of using the credit percentage listed below.

Expense Amounts	Credit Percentage
\$50 million or less	1%
more than \$50 million but not more than \$100 million	\$500,000 + 2% over \$50 million
more than \$100 million but not more than \$200 million	\$1,500,000 + 4% over \$100 million
more than \$200 million	\$5,500,000 + 6% over \$200 million



## Connecticut Wage Base Reduction

Taxpayers that pay or incur more than \$200 million in research and development expenses in an income year must reduce their Research and Development Credit if workforce reductions exceed certain percentages. To determine the extent of workforce reductions, the current Connecticut wage base is compared to a historic Connecticut wage base determined from the third full income year immediately preceding the current income year. The Connecticut wage base is calculated from the total wages assigned to Connecticut with exclusions for the ten most highly paid executives of the taxpayer.

The Research and Development Credit must be reduced by the following percentages based on the extent of the workforce reduction from the historic wage base.

Workforce Wage Base Reduction Percentage	Reduction Percentage
not more than 2%	0%
more than 2% but not more than 3%	10%
more than 3% but not more than 4%	20%
more than 4% but not more than 5%	40%
more than 5% but not more than 6%	70%
more than 6%	100%

## Carryforward/Carryback Limitations

Credits that are allowed but that exceed the limitation amounts may be carried forward to each successive income year until such credits are fully taken. All allowable credits from prior years must be carried forward and applied before the current year's credit may be taken. No carryback is allowed.

## How to Apply

Complete **Form CT-1120 RDC**, *Research and Development Credit*. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## How to Compute the Credit

The credit is the lesser of:

- One-third of the amount of the credit allowable for any income year; or
- The greater of:
  1. 50% of the taxpayer's tax liability, determined without regard to any credits allowed by this section; **or**
  2. The lesser of 200% of the credit otherwise allowed for the income year or 90% of the taxpayer's tax liability, determined without regard to any credits allowed by this section.

Any taxpayer also claiming a corporation business tax credit on **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, shall reduce the amount of research and development expenses that might otherwise be taken into account in computing the allowable credit by the amount of the incremental increase in research and experimental expenditures, as computed on **Form CT-1120RC**.

Any taxpayer also claiming a corporation business tax credit on **Form CT-1120GC**, *Tax Credit for Research and Development Grants to Institutions of Higher Education*, shall reduce the amount of research and development expenses that might otherwise be taken into account in computing the allowable credit by the amount of the incremental increase in grants, as computed on **Form CT-1120GC**.

Calculate the credit by multiplying the amount spent on research and development conducted in Connecticut by the appropriate percentage and completing **Form CT-1120 RDC**. The calculation reported on **Form CT-1120 RDC** must be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

In the case of combined returns, all allowances and limitations shall be made on an aggregate basis for all taxpayers included in such combined return, provided, the credit attributable to a **qualified small business** may be taken only against the combined tax liability attributable to such qualified small business. The amount of the combined tax for all corporations properly included in a combined corporation business tax return that is attributable to a qualified small business shall be in the same ratio to such combined

tax that the net income apportioned to Connecticut of the **qualified small business** bears to the net income in the aggregate of all corporations included in such combined return. For the purposes of computing this ratio, any net loss apportioned to Connecticut by a corporation included in such combined return shall be disregarded.

### **Attachments Required**

The following information should be attached to **Form CT-1120 RDC**:

- A full and complete description of the nature of the research projects conducted by the company during the income year, and the location(s) where such research is conducted;
- A full and complete description of the methods used to obtain the total expenditures and payments for research and experimentation and basic research conducted in Connecticut, in accordance with Conn. Gen. Stat. §12-217n;
- A detailed description of each source of information used to compute the credit, including the methods and calculations of expense allocation, if any; **and**
- The job title and detailed description of each employee whose wages are included in the research expenditures.

### **Exchange of Tax Credit for Refund**

A **qualified small business** that cannot take this tax credit in a taxable year in which it could otherwise be taken, as a result of having no tax liability, may exchange such credit with the State of Connecticut for a credit refund equal to 65% of the value of the credit or may elect to carry such credit forward as indicated above.

A taxpayer may receive no more than \$1,500,000 of credit refund for any one income year.

The statute was amended to provide that effective for income years beginning on or after January 1, 2002, a taxpayer that reports no net income but pays the minimum tax of \$250 or the capital base tax under Conn. Gen. Stat. §12-219 is permitted to exchange research and development tax credits.

A **qualified small business** that wishes to exchange tax credits must complete **Form CT-1120 XCH**, *Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business*, and submit it with the final tax return for the income year. See Conn. Gen. Stat. § 12-217ee (as amended). For the purpose of exchanging tax credits, **qualified small business** means a company that has gross income for the previous income year that does not exceed \$70 million and has not met the gross income test through transactions with a related person, as defined in Conn. Gen. Stat. §12-217w.

**Note:** The definition of **qualified small business** used in determining whether the taxpayer is eligible for the exchange of this tax credit for cash is different than the definition of qualified small business used in determining if the taxpayer is eligible for a tentative credit equal to 6% of research and development expenses.

### **Where to Get Additional Information**

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

### **REFERENCES:**

*Conn. Gen. Stat. §§12-217n and 12-217ee (as amended by 2003 Conn. Pub. Acts 120, §1, as further amended by 2003 Conn. Pub. Acts 1, §89 (June Spec. Sess.), as further amended by 2004 Conn. Pub. Acts 235, §1); Special Notice 93(21); 26 U.S.C. §§41 and 174.*

---

## *Notes*

---

---

---

# Research and Experimental (Incremental) Expenditures Credit

## Description

A credit may be applied against the Connecticut corporation business tax for the incremental increase in **research and experimental expenditures** conducted in Connecticut.

*Research and experimental expenditures* as defined in Section 174 of the Internal Revenue Code of 1986, as amended, include but are not limited to:

- Expenditures incurred in connection with the taxpayer's trade or business that represent research and development costs in the experimental or laboratory sense;
- All costs incident to the development or improvement of a product, including any pilot model, process, formula, invention, technique, patent, or similar property. The product can be used by the corporation in its trade or business or can be held for sale, lease, or license; **or**
- Costs of obtaining a patent, such as attorneys' fees expended in making and perfecting a patent application.

The following are examples of expenses that **do not** qualify:

- Overhead and other expenses, such as general and administrative expenses, that relate to a corporation's activities as a whole and do not contribute directly to the research and development effort; **or**
- The ordinary testing or inspection of materials or products for quality control, for efficiency surveys, management studies, consumer surveys, advertising or promotions, for research in connection with literary, historical, or similar projects and the costs of acquiring another's patent, model, production, or process.

## Credit Percentage

The credit percentage is 20% of the excess of research and experimental expenditures in Connecticut in the current income year over research and experimental expenditures in Connecticut in the preceding income year.

## Carryforward/Carryback Limitations

For income years beginning on or after January 1, 2000, corporations are allowed a 15-year credit carryforward to each successive year until the credits are fully taken. Previously, only biotechnology companies were allowed a 15-year carryforward. No carryback is allowed.

## How to Apply

Complete **Form CT-1120RC**, *Research and Experimental Expenditures Credit*. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

## How to Compute the Credit

The amount of the credit is equal to 20% of the amount spent on research and experimental expenditures conducted in Connecticut during the income year that **exceeds** the amount spent on such expenditures conducted in Connecticut during the preceding income year. The credit amount reported on **Form CT-1120RC** must be entered on **Form CT-1120K**, *Business Tax Credit Summary*.

## Attachments Required

The following information should be attached to **Form CT-1120RC**:

- A full and complete description of the nature of the research projects conducted by the company during the income year, and the location(s) where the research is conducted;
- A full and complete description of the methods used to obtain the amount spent directly on research and

experimental expenditures conducted in Connecticut, in accordance with Conn. Gen. Stat. §12-217j;

- A detailed description of each source of information used to compute the credit, including the methods and calculations of expense allocation, if any; **and**
- The job title and detailed description of each employee whose wages are included in the research expenditures.

### **Exchange of Tax Credit for Refund**

A **qualified small business** that cannot take this tax credit in a taxable year in which it could otherwise be taken, as a result of having no tax liability, may exchange such credit with the State of Connecticut for a credit refund equal to 65% of the value of the credit or may elect to carry such credit forward as indicated above.

The statute was amended to provide that effective for income years beginning on or after January 1, 2002, a taxpayer that reports no net income but pays the minimum tax of \$250 or the capital base tax under Conn. Gen. Stat. §12-219 is permitted to exchange research and development tax credits.

A **qualified small business** that wishes to exchange tax credits must complete **Form CT-1120 XCH, Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business**, and submit it with the final tax return for the income year. See Conn. Gen. Stat. §12-217ee (as amended).

For the purpose of exchanging tax credits, **qualified small business** means a company that has gross income for the previous income year that does not exceed \$70 million and has not met the gross income test through transactions with a related person, as defined in Conn. Gen. Stat. §12-217w.

### **Where to Get Additional Information**

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

### **REFERENCES:**

*Conn. Gen. Stat. §§12-217j and 12-217ee (as amended by 2003 Conn. Pub. Acts 120, §1, as further amended by 2003 Conn. Pub. Acts 1, §89 (June Spec. Sess.), as further amended by 2004 Conn. Pub. Acts 235, §1); 26 U.S.C. §174.*

---

---

## Small Business Guaranty Fee Tax Credit

### Description

A tax credit is allowed against the Connecticut corporation business tax in an amount equal to the amount paid during the income year by a **small business** to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing.

### Definition

*Small business* means any business entity qualifying as a small business under 13 CFR Part 121, which has gross receipts of not more than \$5 million for the income year in which the credit is first allowed.

### Credit Amount

The credit is equal to the amount paid during the income year as a guaranty fee to the federal Small Business Administration.

### Carryforward/Carryback Limitations

Any excess amount of the credit allowable may be carried forward to any of the four succeeding income years. No carryback is allowed.

### How to Compute the Credit

Complete **Form CT-1120 SBA**, *Small Business Administration Guaranty Fee Tax Credit*. Forms are available anytime from the DRS Web site at **www.ct.gov/DRS** by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

### Attachments Required

**Form CT-1120 SBA**, along with documentation to support the amount of the credit claimed, must be attached to **Form CT-1120K**, *Business Tax Credit Summary*.

### Where to Get Additional Information

Direct inquiries to:

*Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106*

*860-297-5962 or 1-800-382-9463 (in-state)  
www.ct.gov/DRS*

### REFERENCES:

*Conn. Gen. Stat. §12-217cc.*

---

## ***Notes***

---



---

---

# Service Facility Credit

## Description

A credit may be applied against the portion of the Connecticut corporation business tax that is allocable to a **service facility** located outside of an **Enterprise Zone** in a Targeted Investment Community. The amount of the credit depends upon the number of **new employees** working at the facility.

The credit is certified by the Department of Economic and Community Development (DECD). To qualify, the taxpayer must contact DECD at 860-270-8143 for application procedures.

A service facility located in an Enterprise Zone cannot qualify for this credit, however, it may qualify for the 50% or 25% Manufacturing Facility Credit (see Pages 59 and 63).

## Definitions

A **service facility** is defined as any plant, building, or other real property improvement that is constructed, renovated, expanded, or acquired, and that is used for the following services as further defined by the Commissioner of DECD:

- Depository institutions or nondepository credit institutions;
- Finance and insurance;
- Holding or other investment offices;
- Business services;
- Health care and social assistance;
- Fishing, hunting, and trapping;
- Transportation and warehousing;
- Air, water, and other transportation services;
- Security and commodity brokers, dealers, exchanges, and services;
- Professional, scientific, and technical services;
- Administrative and support services assistance;

- Telemarketing, engineering, accounting, research, management, and related services; **or**
- Supplying goods or services in the field of computer hardware or software, computer networking, telecommunications, or communications.

For a detailed list of the qualifying service sectors, see Conn. Agencies Regs. §32-9p-5.

An **Enterprise Zone** is any area designated by the Commissioner of DECD as an Enterprise Zone. See Page 59 for a more detailed description.

A **Targeted Investment Community** is defined as a municipality that contains an Enterprise Zone.

A **new employee** is defined as a person hired by the taxpayer to fill a position for a **new job** or a person **shifted** from an existing location of the taxpayer outside Connecticut to a service facility located in Connecticut, provided the total number of new employees allowed for purposes of this credit shall not exceed the total increase in the taxpayer's employment in Connecticut. The increase in the taxpayer's employment shall be the difference between the number of employees employed in Connecticut at the time of application for this credit and the highest number of employees employed by the taxpayer in Connecticut in the year preceding the taxpayer's application for this credit. To be considered a new employee, the person's duties in connection with the operation of the facility must be on a regular, full-time, and permanent basis.

A **new job** is defined as a job that did not exist in the business of a taxpayer in Connecticut prior to the taxpayer's application for this credit and that is filled by a new employee. A new job does **not** include a job created when an employee is shifted from an existing location within Connecticut.

## Credit Percentages

There are six different credit percentages to be applied against the portion of the Connecticut corporation business tax that is allocable to the service facility. The percentage varies depending upon the number of new employees occupying the service facility.

Number of New Employees Working at the Facility	Credit Percentage
300 – 599	15%
600 – 899	20%
900 – 1,199	25%
1,200 – 1,499	30%
1,500 – 1,999	40%
2,000 or more	50%

## Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

## How to Apply

A taxpayer may call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire in order to determine whether its service facility qualifies for the credit.

Upon review of the completed questionnaire, a DECD staff representative will contact the taxpayer to explain the program and the formal application process.

Once the formal application is approved, DECD will issue to the taxpayer Forms UT-4, Eligibility Certificate for Urban Jobs Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

## How to Compute the Credit

The credit is computed by using the arithmetical mean of two fractions (property and wages) to determine the portion of the corporation business tax liability that is allocable to the Connecticut service facility.

### *Property (numerator calculation)*

Determine the average monthly net book value of the Connecticut service facility and the machinery and equipment acquired for and installed therein (without reduction for any encumbrance). If the facility is rented, the service facility portion of the numerator is calculated by multiplying the annual gross rents payable for the service facility times eight.

### *Property (denominator calculation)*

Determine the average monthly net book value of all real property and machinery and equipment located in Connecticut and the value of all real property and machinery and equipment rented by the corporation in Connecticut.

### *Wages (numerator calculation)*

Determine the wages, salaries, and compensation of employees whose positions are directly attributable to the Connecticut service facility.

An employment position is directly attributable to the manufacturing facility if **all** of the following are true:

- The work is performed or the base of operations is at the service facility;
- The position did not exist prior to the acquisition, construction, renovation, or expansion of the service facility; **and**
- If not for the acquisition, construction, renovation, or expansion of the service facility, the position would not have existed.

***Wages (denominator calculation)***

Determine the wages, salaries, and compensation paid to all Connecticut employees.

The credit period is ten years and begins with the first full income year following the year of issuance of the eligibility certificate and continues for the following nine income years.

If within the ten year period the facility ceases to qualify as a service facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates and there is no pro-rata application of the credit during the income year in which the entitlement or occupancy terminates.

The credit is reported on **Form CT-1120K**, *Business Tax Credit Summary*.

**Where to Get Additional Information**

Direct any inquiries to:

*Department of Economic  
and Community Development  
505 Hudson Street  
Hartford CT 06106-7107*

*860-270-8143  
www.ct.gov/ecd*

**REFERENCES:**

*Conn. Gen. Stat. §§12-217e, 32-9p, and 32-70; Conn. Agencies Regs. §32-9p-5.*

---

## ***Notes***

---

---

---

# 50% Manufacturing Facility Credit for Facilities Located in an Enterprise Zone (or Other Area Having Enterprise Zone Level Benefits)

## Description

A credit is available equal to 50% of the Connecticut corporation business tax that is allocable to a **manufacturing facility** that is located within a designated **Enterprise Zone** (or other area designated as having Enterprise Zone level benefits). To be eligible for this credit, the manufacturing facility must meet certain employment criteria. If it does not meet the employment criteria, the facility may still qualify for the 25% Manufacturing Facility Credit. (See Page 63.)

The 50% and 25% Manufacturing Facility Credits are certified by the Department of Economic and Community Development (DECD). To qualify for either credit, taxpayers should contact DECD at 860-270-8143, for application procedures.

## Definition

A *manufacturing facility* is defined as any plant, building, or other real property improvement that is constructed, renovated, expanded, or acquired and that is used for one of the following purposes:

- Manufacturing, processing, or assembling of raw materials, parts or manufactured products;
- Research and development facilities directly related to manufacturing;
- The significant servicing, overhauling or rebuilding of machinery and equipment for industrial use;
- The warehousing and distribution in bulk of manufactured products on other than a retail basis (new construction only); **or**

- Certain service sectors as defined by the Commissioner of DECD in Conn. Agencies Regs. §32-9p-5.

For a complete definition of a manufacturing facility, see Conn. Gen. Stat. §32-9p(d).

## Employment Criteria

To qualify for the 50% credit, the corporation must, during the last quarter of its income year, either:

1. Employ 150 or more full-time employees who at the time of employment were:
  - Residents of the Enterprise Zone (or other area having Enterprise Zone level benefits); **or**
  - Residents of the municipality who are eligible for training under the federal Job Training Partnership Act;

**or**
2. Have 30% or more of its full-time employment positions directly attributable to the manufacturing facility held by employees who at the time of employment were:
  - Residents of the Enterprise Zone (or other area having Enterprise Zone level benefits); **or**
  - Residents of the municipality who are eligible for training under the federal Job Training Partnership Act.

## Location Criteria

An *Enterprise Zone* is any area designated by the Commissioner of DECD as an Enterprise Zone.

Areas that are currently designated as Enterprise Zones are situated within the following municipalities:

Bridgeport	Meriden	Norwich
Bristol	Middletown	Southington
East Hartford	New Britain	Stamford
Groton	New Haven	Waterbury
Hamden	New London	Windham
Hartford	Norwalk	

A **Targeted Investment Community** is defined as a municipality with an Enterprise Zone designated under Conn. Gen. Stat. §32-70. A municipality may have only one Enterprise Zone. However, a Targeted Investment Community may, with approval of DECD and if certain conditions are met, designate other areas within the municipality as having the equivalent of Enterprise Zone level benefits. Such designations include:

- **Entertainment District.** Once a municipality has been designated as having an entertainment district, projects within the Targeted Investment Community that are eligible for Enterprise Zone benefits include but are not limited to facilities producing live or recorded multimedia, and any support business needed to support such projects.
- **Qualified Manufacturing Plant.** A qualified manufacturing plant is a manufacturing plant having an area of at least 500,000 square feet outside of an Enterprise Zone. The Town of Bristol and the City of New Britain are communities that have facilities with this designation.
- **Railroad Depot Zone.** A Targeted Investment Community with an abandoned or underutilized railroad depot area, outside of the Enterprise Zone, may qualify as a Railroad Depot Zone. A railroad depot is an area that abuts an active or inactive rail line and contains manufacturing or warehousing facilities that were originally dependent on railroad access to operate. East Hartford, Hamden, and Norwich contain railroad depot zones.

In addition, the following are designated as having Enterprise Zone level benefits:

- Businesses engaged in biotechnology, pharmaceutical, or photonics research, development or production, with not more than 300 employees, located in a municipality with (1) a major research university with programs in biotechnology, pharmaceuticals, or photonics and (2) an Enterprise Zone, are entitled to Enterprise Zone level benefits.

- **Enterprise Corridor Zones.** Enterprise corridor zones are located along Route 8 in the State’s Naugatuck Valley and Interstate 395 in the eastern region of the state.

The municipalities designated by the Commissioner of DECD as located within Enterprise Corridor Zones are:

Ansonia	Lisbon	Seymour
Beacon Falls	Naugatuck	Sprague
Derby	Plainfield	Sterling
Griswold	Putnam	Thompson
Killingly		

- **Contiguous Municipality Zone.** The Town of Plainville contains Connecticut's only designated Contiguous Municipality Zone.
- **Defense Plant Zone.** The Town of Stratford contains Connecticut's only Defense Plant Zone.
- **Manufacturing Plant Zone.** The Town of Bloomfield contains Connecticut's only designated Manufacturing Plant Zone.

Enterprise Corridor Zone municipalities and those municipalities containing a Contiguous Municipality Zone, a Defense Plant Zone, or a Manufacturing Plant Zone are not considered to be Targeted Investment Communities.

### Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

### How to Apply

A taxpayer may call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire.

Upon review of the completed questionnaire, a DECD staff representative will contact the taxpayer to explain the program and the formal application process.

If the formal application is approved, DECD will issue to the corporation Forms UT-4, Eligibility Certificate for Enterprise Zone Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.



## Credit Percentage

The credit amount applied against the Connecticut corporation business tax is 50% of the tax allocable to any manufacturing facility located within a designated Enterprise Zone (or other area designated as having Enterprise Zone level benefits).

To qualify for the 50% credit, the corporation must meet the employment criteria (see *Employment Criteria*, Page 59). If the employment criteria is not met, the corporation is only entitled to a 25% credit.

## How to Compute the Credit

Use **Form CT-1120 TIC/EZ, Manufacturing Facility Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone**, to compute the credit. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

The tax credit is computed by using the arithmetical mean of two fractions (property and wages) to determine the portion of the corporation business tax liability that is allocable to the Connecticut manufacturing facility. This portion is then multiplied by 50%.

### **Property (numerator calculation)**

Determine the average monthly net book value of the Connecticut manufacturing facility and the machinery and equipment acquired for and installed therein (without reduction for any encumbrance). If the facility is rented, the facility portion of the numerator is calculated by multiplying the annual gross rents payable for the manufacturing facility times eight.

### **Property (denominator calculation)**

Determine the average monthly net book value of all real property and machinery and equipment located in Connecticut and the value of all real property and machinery and equipment rented by the corporation in Connecticut.

### **Wages (numerator calculation)**

Determine the wages, salaries, and compensation of employees whose positions are directly attributable to the Connecticut manufacturing facility.

An employment position is directly attributable to the manufacturing facility if **all** of the following are true:

- The work is performed or the base of operations is at the facility;
- The position did not exist prior to the acquisition, construction, renovation, or expansion of the facility; **and**
- If not for the acquisition, construction, renovation, or expansion of the facility, the position would not have existed.

### **Wages (denominator calculation)**

Determine the wages, salaries, and compensation paid to all Connecticut employees.

The credit period is ten years and begins with the first full income year following the year of issuance of the eligibility certificate and continues for the following nine income years.

If within the ten year period the facility ceases to qualify as a manufacturing facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates, and there is no pro-rata application of the credit during the income year in which the entitlement or occupancy terminates.

The credit is reported on **Form CT-1120K, Business Tax Credit Summary**. Attach **Form CT-1120 TIC/EZ** to **Form CT-1120K**.

## Where to Get Additional Information

Direct inquiries to:

*Department of Economic  
and Community Development  
505 Hudson Street  
Hartford CT 06106-7107  
  
860-270-8143  
[www.ct.gov/ecd](http://www.ct.gov/ecd)*

### **REFERENCES:**

*Conn. Gen. Stat. §§12-217e, 32-9p, and 32-70.*



---

## *Notes*

---

---

---

## 25% Manufacturing Facility Credit

### Description

A credit is available equal to 25% (.25) of the Connecticut corporation business tax that is allocable to a **manufacturing facility** that is located within:

- A **Targeted Investment Community**; or
- An Enterprise Zone (or other area having Enterprise Zone level benefits).

If the **manufacturing facility** does not meet the employment criteria to qualify for the 50% credit (see Page 59), it may be eligible for the 25% credit.

The 25% Manufacturing Facility Credit is certified by the Department of Economic and Community Development (DECD). To qualify for this credit the corporation must contact DECD at 860-270-8143, for application procedures.

### Definitions

A **manufacturing facility** is any plant, building, or other real property improvement that is constructed, renovated, expanded, or acquired and is used for one of the following purposes:

- Manufacturing, processing, or assembling of raw materials, parts, or manufactured products;
- Research and development facilities directly related to manufacturing;
- The significant servicing, overhauling, or building of machinery and equipment for industrial use;
- The warehousing and distribution in bulk of manufactured products on other than a retail basis (new construction only); **or**
- Certain service sectors located in an Enterprise Zone, as defined by the Commissioner of DECD in Conn. Agencies Regs. §32-9p-5.

For a complete definition of a manufacturing facility, see Conn. Gen. Stat. §32-9p(d).

A **Targeted Investment Community** is any municipality in Connecticut that contains an Enterprise Zone designated under Conn. Gen. Stat. §32-70.

### Credit Percentage

The credit amount applied against the Connecticut corporation business tax is 25% of the tax allocable to a manufacturing facility that has been certified by DECD.

### Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

### How to Apply

A taxpayer may call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire. Upon review of the completed questionnaire, a DECD staff representative will contact the taxpayer to explain the program and the formal application process.

If the formal application is approved, DECD will issue to the taxpayer Forms UT-4, Eligibility Certificate for Enterprise Zone Benefits, and UT-9, Claim for Corporate Business Tax Credit Under the Provisions of the Enterprise Zone Program.

### How to Compute the Credit

Use **Form CT-1120 TIC/EZ, Manufacturing Facility Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone** to compute the credit. Forms are available anytime from the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) by calling DRS Tax Fax at 860-297-5698 from the handset attached to your fax machine, or by calling DRS Forms Unit at 860-297-4753 or 1-800-382-9463 (in-state).

The tax credit is computed by using the arithmetical mean of two fractions (property and wages) to determine the portion of the corporation business tax liability that is allocable to the Connecticut manufacturing facility. This portion is then multiplied by 25%.

### ***Property (numerator calculation)***

Determine the average monthly net book value of the Connecticut manufacturing facility and machinery and equipment acquired for and installed therein (without reduction for any encumbrance). If the facility is rented, the facility portion of the numerator is calculated by multiplying the annual gross rents payable for the manufacturing facility times eight.

### ***Property (denominator calculation)***

Determine the average monthly net book value of all real property and machinery and equipment located in Connecticut and the value of all real property and machinery and equipment rented by the corporation in Connecticut.

### ***Wages (numerator calculation)***

Determine the wages, salaries, and compensation of employees whose positions are directly attributable to the Connecticut manufacturing facility. Wages are directly attributable to the manufacturing facility if **all** of the following are true:

- The work is performed or the base of operations is at the manufacturing facility;
- The position did not exist prior to the acquisition, construction, renovation, or expansion of the manufacturing facility; **and**
- If not for the acquisition, construction, renovation, or expansion of the manufacturing facility, the position would not have existed.

### ***Wages (denominator calculation)***

Determine the wages, salaries, and compensation paid to all Connecticut employees.

The credit period is ten years and begins with the first full income year following the year of issuance of the eligibility certificate and continues for the following nine income years.

If within the ten year period the facility ceases to qualify as a manufacturing facility or the taxpayer ceases to occupy the property, the entitlement to the credit terminates, and there is no pro-rata application of the credit during the income year in which the entitlement or occupancy terminates.

The credit is reported on **Form CT-1120K, Business Tax Credit Summary**. Attach **Form CT-1120 TIC/EZ** to **Form CT-1120K**.

## **Where to Get Additional Information**

Direct any inquiries to:

*Department of Economic  
and Community Development  
505 Hudson Street  
Hartford CT 06106-7107*

*860-270-8143  
[www.ct.gov/ecd](http://www.ct.gov/ecd)*

### **REFERENCES:**

*Conn. Gen. Stat. §§12-217e, 32-9p, and 32-70.*

---

---

## Traffic Reduction Programs Credit

### Description

A credit may be applied against the Connecticut corporation business tax by Connecticut corporations that participate in traffic reduction programs that are established under Conn. Gen. Stat. §13b-38p in Connecticut in order to achieve the goals of the federal Clean Air Act. To qualify for the credit, the corporation is required to employ 100 or more employees at a work location located in a **severe nonattainment area**.

### Definition

A *severe nonattainment area* means the geographic area in Connecticut designated as such by the federal Environmental Protection Agency according to the Clean Air Act. Those areas designated as severe nonattainment areas include all of the towns in Fairfield County except Shelton, plus the towns of New Milford and Bridgewater.

### Credit Percentage

The credit is equal to 50% of the amount spent in a severe nonattainment area for the direct costs of traffic reduction programs and related services conducted in Connecticut in response to the provisions of Conn. Gen. Stat. §§13b-38o, 13b-38p, 13b-38t, 13b-38v, and 13b-38x, not to exceed \$250 annually per employee. The employee must be employed in a severe nonattainment area and participate in an alternative means of commuting pursuant to a qualifying traffic reduction program. The maximum credit allowed in the aggregate to all corporations is \$1.5 million annually.

### Carryforward/Carryback Limitations

No carryforward or carryback is allowed.

### How to Apply

A qualified corporation must first enroll in the Voluntary Traffic Reduction Program administered by the Department of Transportation (DOT). After being accepted into the program, direct costs incurred in connection with the program may be applied to the tax credit. The corporation must submit a completed application to DOT that includes direct costs incurred during the previous calendar year by July 1. After receiving the application, DOT will issue a letter to the corporation indicating the amount of the credit that can be claimed on the corporation business tax return. For information on how to obtain the application, contact DOT at 860-594-3492.

### Where to Get Additional Information

Direct inquiries to:

*Department of Transportation  
PO Box 317546  
2800 Berlin Turnpike  
Newington CT 06131-7546*

*860-594-3492  
www.ct.gov/dot*

### REFERENCES:

*Conn. Gen. Stat. §§12-217s, 13b-38o, 13b-38p, 13b-38t, 13b-38v, and 13b-38x; Conn. Agencies Regs. §12-217s-1.*

---

## ***Notes***

---

---

# Urban and Industrial Site Reinvestment Credit

## Description

A tax credit is available to be applied against various Connecticut business taxes for **investments in eligible industrial site investment projects** or **eligible urban reinvestment projects**. This credit is administered by the Department of Economic and Community Development (DECD).

The Commissioner of DECD may register managers of funds and community development entities created for the purpose of investing in eligible urban reinvestment projects and eligible industrial site investment projects. Any fund manager or community development entity shall have its primary place of business in Connecticut. Any fund manager registered under Conn. Gen. Stat. §38a-88a (Insurance Reinvestment Fund Credit) on or before July 1, 2000, shall be eligible to serve as a fund manager.

## Definitions

**Investment** means all amounts invested in an eligible **project** by or on behalf of a taxpayer whether directly, through a fund, or through a community development entity, including but not limited to equity investments made by the taxpayer and loans.

**Project** means the acquisition, leasing, demolition, remediation, construction, renovation, expansion or other development, or redevelopment of real property and improvements within Connecticut, including furniture, fixtures, equipment, associated interest and financing costs, relocation costs, start-up costs, architectural, engineering, legal and other professional services, plans, specifications, surveys, permits, and studies necessary to the project.

**Eligible industrial site investment project** means a project located in Connecticut for the development or redevelopment of real property:

- That has been subject to a **spill**, as defined in Conn. Gen. Stat. §22a-452c, is an **establishment**, as defined in Conn. Gen. Stat. §22a-134(3), as amended, or is a **facility**, as defined in 42 USC §9601(9);
- That, if remediated, renovated, or demolished in accordance with applicable law and regulations and the standards of remediation of the Department of Environmental Protection and used for business purposes will add significant new economic activity and employment in the municipality in which the investment is to be made and will generate additional tax revenues to Connecticut;
- For which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to the project;
- The business use of which would be economically viable and would generate direct and indirect economic benefits to Connecticut that exceed the amount of the investment during the period for which the tax credits are granted; **and**
- That is, in the judgment of the Commissioner of DECD, consistent with the strategic economic development priorities of the state and the municipality.

**Eligible urban reinvestment project** means a project:

- That would add significant new economic activity and new jobs in a new facility in the eligible municipality in which the project is located and will generate significant additional tax revenues to the state or the municipality;
- For which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to an eligible municipality;

- That is economically viable;
- For which the direct and indirect economic benefits to the state outweigh the costs of the project; **and**
- That is, in the judgment of the Commissioner of DECD, consistent with the strategic economic development priorities of the state and the municipality.

### Claiming the Credit

Any taxpayer, fund manager, or community development entity wishing to make an investment shall submit a written application to the Commissioner of DECD containing information concerning the type of project proposed to be made, its location, the number of jobs to be created or retained, the physical infrastructure that might be created or preserved, feasibility studies or business plans for the project, projected revenue the state might derive as a result of the project, and any other information necessary to demonstrate the financial viability of the project and to demonstrate that the project will provide net benefits to the economy of, and employment for citizens of, the municipality and the state. The amount of the investment approved shall not exceed the amount of state revenue that will be generated according to the revenue impact assessment prepared by the Commissioner of DECD.

Upon approving an investment, the Commissioner of DECD shall issue a certificate of eligibility certifying that the applicant has complied with the provisions of this credit.

The credit may be claimed by a taxpayer who has made an investment:

- Directly of at least \$20 million;
- Through a fund if such fund has a total asset value of at least \$60 million for the income year in which the initial credit is taken and not less than three investors who are not related persons; **or**
- Through a community development entity.

The credit may be assigned but must be claimed by the assignee in the same year that it could have been claimed by the taxpayer.

No taxpayer shall be eligible for this credit and the tax credits under Conn. Gen. Stat. §§12-217e (Service Facility Credit, 50% Manufacturing Facility Credit for Facilities Located in an Enterprise Zone (or Other Area Having Enterprise Zone Level Benefits), 25% Manufacturing Facility Credit), or 38a-88a (Insurance Reinvestment Credit) for the same investment. No two taxpayers shall be eligible for any tax credit with respect to the same investment or the same project costs.

The sum of all tax credits granted pursuant to this section shall not exceed \$100 million with respect to a single project. The sum of all tax credits granted shall not exceed \$500 million. However, the taxpayer may apply for a tax credit that exceeds the limit, and the Commissioner of DECD shall make a recommendation to the General Assembly as to whether or not the credit should be granted.

The credit may be applied to any combination of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Health care centers tax (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211);
- Utility companies tax (Chapter 212);
- Public service companies tax (Chapter 212a); **or**
- Surplus lines tax (Conn. Gen. Stat. §38a-743).

### Credit Percentage

The credit is allowable over ten years as follows:

Years	Percentage
Years 1 through 3	0%
Years 4 through 7	10%
Years 8 through 10	20%



## **Carryforward/Carryback Limitations**

The tax credit may be carried forward for the five immediately succeeding income years until the full credit has been allowed. No carryback is allowed.

## **Recapture Provision**

No later than July 1 in each year that credits are claimed, the Commissioner of DECD may conduct a study to estimate that the state revenue that is being and will be generated by the eligible project in which the investment is made is equal to the estimate of state revenue made at the time the eligible project was approved. If the sum of all state revenue actually generated by the project is less than the amount of the total sum of tax credits claimed on the date of the analysis, the Commissioner of DECD may determine an applicable recapture amount and may revoke the certificate of eligibility.

Any taxpayer that has claimed credits related to a project for which the Commissioner of DECD has revoked the certificate of eligibility shall be required to recapture its pro-rata share of the recapture amount, and no subsequent credit shall be allowed unless the certificate of eligibility is reinstated. The amount of the credit that the taxpayer is required to recapture varies depending upon the year in which the tax credit is required to be recaptured as follows:

<b>Years</b>	<b>Percentage</b>
Year 4	90%
Year 5	65%
Year 6	50%
Year 7	30%
Year 8	20%
Year 9-10	10%

The Commissioner of Revenue Services may recapture the credit first from any taxpayer who claimed the credit, then from any taxpayer who assigned the credit, and finally, from any fund through which the investment was made.

## **How to Apply**

Applications and registration information can be obtained by contacting DECD at 860-270-8128.

## **How to Compute the Credit**

Computation procedures can be obtained by calling DECD at 860-270-8128.

## **Where to Get Additional Information**

Direct inquiries to:

*Department of Economic  
and Community Development  
505 Hudson Street  
Hartford CT 06106-7107  
  
860-270-8128  
www.ct.gov/ecd*

## **REFERENCES:**

*Conn. Gen. Stat. §32-9t*

---

## ***Notes***

---

**STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES**

**MISSION STATEMENT**

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

# CONNECTICUT TAX ASSISTANCE

Visit the **DRS Web site** at: [www.ct.gov/DRS](http://www.ct.gov/DRS)

General E-mail: [drs@po.state.ct.us](mailto:drs@po.state.ct.us)

Forms and Publications by E-mail: [ctforms@po.state.ct.us](mailto:ctforms@po.state.ct.us)



**CONN-TAX:** If you have a touch-tone phone, you can obtain prerecorded income tax information anytime from the DRS telephone information line.

Call 1-800-382-9463 (in-state) or 860-297-5962 (from anywhere).

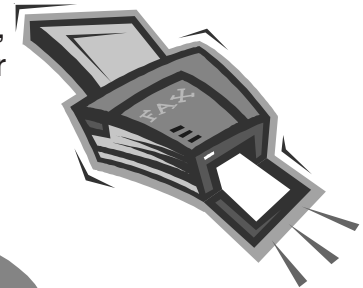


To speak to a **Taxpayer Services representative**, call between 8:30 a.m. and 4:30 p.m., Monday through Friday.

For **forms and publications**, press "2" or call 860-297-4753.

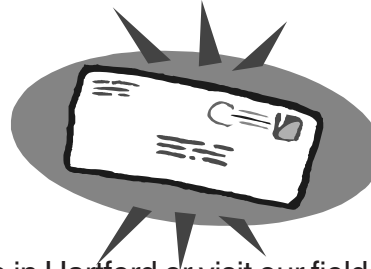
**TTY, TDD, and Text Telephone** users only may transmit inquiries anytime by calling 860-297-4911.

**DRS Tax Fax:** Only forms (not publications) are available, by calling 860-297-5698 from the handset attached to your fax machine and selecting from the menus.



**Write to:**

DRS Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106-5032



**DRS Offices:** Visit our main office in Hartford or visit our field offices in Bridgeport, Hamden, Norwich, or Waterbury weekdays, 8:00 a.m. to 5:00 p.m. Call **CONN-TAX** or the location listed below for directions.

HARTFORD  
25 Sigourney Street  
860-297-5962

BRIDGEPORT  
10 Middle Street  
203-336-7890

HAMDEN  
3074 Whitney Ave.  
Bldg. #2  
203-287-8243

NORWICH  
2 Cliff Street  
860-425-4123

WATERBURY  
Rowland Government Center  
55 West Main Street, Suite 100  
203-805-6789