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Employment and Economic Development Tax Credits: Pending Legislation

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Many state legislatures are considering employment and economic development tax credit bills during the current legislative sessions. Such tax credits, if enacted, may afford taxpayers significant opportunities for tax savings. The following examines active employment and economic development tax credit legislation as of early March 2012. Jones Day will continue to monitor the progress of each bill discussed below as it moves through the legislative process.

Connecticut

HB 5105 (Job Expansion Tax Credit)

Connecticut House Bill 5105 relates to the job expansion tax credit program and would enlarge the employee base qualifying for credit under the program. If it passes, employers will qualify for the job expansion tax credit program by hiring individuals receiving employment services through the Departments of Mental Health and Addiction Services and Developmental Services.

Hawaii

SB 2863 (Job Creation Income Tax Credit)

Senate Bill 2863 provides for a job creation income tax credit to businesses hiring recently laid-off employees. The credit is equal to a fraction of the Federal Insurance Contributions Act taxes that businesses will pay on the newly hired employees.

Indiana

HB 1251 (Tax Credit for Hiring Veterans)

If enacted, House Bill 1251 will establish a tax credit for hiring veterans. The legislation would provide a credit against state tax liability each taxable year to an employer who hires an eligible returning veteran, in the amount of $750 for each eligible veteran hired by the employer during the taxable year, adjusted for the fraction of the taxable year the veteran is employed. Credits claimed but not used can be carried forward four years.

SB 189 (New Employer Tax Credit)

Senate Bill 189 expands the new employer tax credit. It reduces from 10 to one the number of qualified employees a corporation or pass-through entity must employ in order to qualify for the new employer tax credit; excluded from the definition of "qualified employee" are individuals hired as seasonal workers. The legislation extends the credit for two years, to taxable years beginning before January 1, 2015.

Maryland

HB 592 (Extended Credit for Job Creation and Facility Construction or Expansion)

House Bill 592 would extend the duration of the enhanced tax credit for businesses that create new jobs for certain business entities that construct or expand their business premises and meet specified obligations for an additional 12-year period.

Mississippi

HB 527 (Business Relocation Credit)

House Bill 527 provides for an income tax credit for any business that transfers or relocates its national or regional headquarters to Mississippi. A minimum of 20 new jobs would need to be created in order to take advantage of the credit. The maximum credit that a taxpayer may take in a year is $1 million, and the maximum cumulative credits that may be claimed by all taxpayers may not exceed $3 million in any given fiscal year. Tax credits claimed but not used in a particular year may be carried forward for five years from the close of the tax year in which the headquarters relocation took place.

HB 526 (Jobs Credit)

House Bill 526 provides for an income tax credit for any business that expands its labor forces into the state. A minimum of 20 new jobs would need to be created in order to take advantage of the credit. The maximum credit that a taxpayer may take in a year is $1 million, and the maximum cumulative credits that may be claimed by all taxpayers may not exceed $3 million in any given fiscal year. Tax credits claimed but not used in a particular year may be carried forward for five years from the close of the tax year in which the relocation costs were incurred.

New Jersey

S579 (Extended Business Retention and Relocation Assistance Act)

This bill addresses the risk that large businesses will relocate out of state due to aggressive incentive packages from competing states and a lack of programs offering meaningful incentives to projects of scale to remain in the state. The bill supplements the Business Retention and Relocation Assistance Act (the "BRRA Act") by enhancing the benefits provided to businesses that employ large numbers of full-time employees within the state. It would amend the BRRA Act by granting enhanced tax credits in the form of an award equivalent to $2,225 per retained full-time employee per year for up to six years to any business that retains 1,000 or more full-time jobs at a location or locations within the state for at least 10 years.

S1585 (Qualified Employee Credit)

This bill provides corporation business and gross income tax credits to employers that employ certain individuals who have received training from certain community rehabilitation programs. The bill allows employers a credit equal to 3 percent of the wages and salaries paid to qualified employees, not to exceed $1,000 for each qualified employee, during the tax period.

A1084 (Angel Investor Tax Credit)

This bill, the "New Jersey Angel Investor Tax Credit Act," revives the expired Small New Jersey-Based High-Technology Business Investment Tax Credit by establishing credits against corporation business and gross income taxes for investing in New Jersey emerging technology businesses. Subject to certain limitations, the corporation business and gross income tax credits equal 10 percent of a taxpayer's qualified investment in an emerging technology company with fewer than 225 employees, of whom at least 75 percent are filling a position in New Jersey.

New York

A06980 (Jobs Tax Credit)

If enacted, this legislation will establish a New York jobs tax credit. The credit will equal the amount of withholding generated from each new employee who is hired by a business in New York. The credit will be available for the first three years of employment and may not exceed $5,000 for each new job created. The business can earn an additional $3,000 credit for the first full year after a person who is collecting unemployment insurance benefits is hired. The additional credit will be paid from the savings created in the unemployment insurance fund and by utilizing stimulus funds.

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