

# BUSINESS INCENTIVES PRACTICE

## MAJOR INCENTIVE PROGRAMS CONNECTICUT

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### BUSINESS INCENTIVES PRACTICE

The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

#### SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

#### RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



### KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

#### CONNECTICUT’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Leipold	\$8.0	20	\$3.0
Metal Finishing Technologies	\$0.5	7	\$0.4
Amco Precision Tool	\$4.7	25	\$2.1
EDRO Corporation	\$0.5	5	\$0.0
Advanced Performance Glass	\$0.2	4	\$0.1
Turbine Technologies	\$0.2	6	\$0.2
LBI	\$0.5	20	\$0.4
EDAC Technologies Corporation	\$121.1	200	\$48.0
Praxair	\$65.0	120	\$32.5
Sperry Rail	\$0.5	11	\$0.4
FreshBev	\$0.5	56	\$0.4
Express Countertops	\$2.4	50	\$2.0

## OVERVIEW OF MAJOR CONNECTICUT INCENTIVE PROGRAMS

### URBAN AND INDUSTRIAL SITES REINVESTMENT TAX CREDIT

This statutory program is designed to drive investment to the state's urban centers and other economically distressed communities without depleting valuable state bond dollars. The state may provide up to \$100 million in tax credits over a ten-year period to support projects that create significant jobs and capital investment in these underserved areas.

The amount of credits offered is based a strict due diligence process, which includes a comprehensive financial review and an impact analysis. The commissioner of DECD must submit any requests for credits over \$20 million to the legislature for their review.

Projects using these credits must be, at a minimum, revenue neutral to the state and the law provides strict audit, compliance and penalty provisions that are strictly adhered to throughout the life of a project. Direct investments must be made in a minimum amount of \$5 million.

The real property of an "eligible industrial site investment project" or an "eligible urban reinvestment project" may be eligible to receive 50% property tax abatement on that portion of the property tax due that is attributable to the increased value of such property as a result of the approved remediation, construction or other development. The corporate tax credit is dispersed to the recipient over a ten-year period on the following schedule:

SCHEDULE			
YEAR	1-3	4-7	8-10
Percentage	0	10	20

### FIRST FIVE PROGRAM

The First Five program provides incentives to businesses that, depending on the size of the company's investment, create a minimum of 200 new, full-time jobs in the state within the next two years, or 200 new, full-time jobs in the state within five years.

First Five augments and combines the state's best incentive and tax credit programs to encourage job creation. In addition to the incentives based on the creation of the first 200 new full-time jobs within Connecticut, businesses would continue to receive credits for each net new job created above 200, increasing the potential to thousands of jobs in the state.

The program was designed to: (1) Attract new companies into the state; (2) Keep the companies we already have and retain their current job levels; and (3) encourage businesses to expand and add new jobs.

# Connecticut shows an average deal value of \$14.3 million with 94 new jobs created per deal

The program provides for a fair amount of flexibility in the way the incentives are structured; for example, benefits have come in the form of: Low or zero interest loans, forgivable loans, cash grants, training grants, and sales/use tax exemptions. The terms under which the aforementioned incentives were awarded are based on specific milestones for both job creation and capital investment, and also provide flexibility for future employment growth.

### NEW JOBS CREATION TAX CREDIT

A tax credit is available to taxpayers that create at least 10 new jobs in Connecticut. The tax credit allowed is an amount up to 60% of the income tax deducted and withheld from the wages of new employees and paid over to the state according to Chapter 229 of the Connecticut General Statutes. No later than 30 days after the close of the taxpayer's income year, the taxpayer shall provide DECD with information regarding the number of new jobs created for the year and the income tax deducted and withheld from the wages of such new employees and paid over to the state for such year.

The Commissioner shall issue a certificate of eligibility which includes the amount of the credit certified for the year. The tax credit may be granted to a taxpayer for not more than five successive income years. There is no carry-forward or carry-back for unused credits.

A taxpayer shall be required to recapture a percentage of the tax credit allowed if:

- The number of new employees on account of which a taxpayer claimed the tax credit decreases to less than the number for which the Commissioner issued an eligibility certificate during any of the four years succeeding the first full income year following the issuance of an eligibility

certificate; **and**

- Those employees are not replaced by other employees who have not been shifted from an existing location of the taxpayer or a related person in this state. The taxpayer will be required to recapture a percentage of the credit as follows:

YEAR	PERCENTAGE
Recapture Year 1	N/A
Recapture Year 2	90% of the credit allowed
Recapture Year 3	65% of the credit allowed for the entire period of eligibility
Recapture Year 4	50% of the credit allowed for the entire period of eligibility
Recapture Year 5	30% of the credit allowed for the entire period of eligibility

## OTHER CONNECTICUT INCENTIVE PROGRAMS

- Manufacturers Assistance Act
- Small Business Express Program (EXP)
- IT Direct Loan Program
- Film Production and Digital Media Tax Credit
- Research and Development Tax Credit
- Corporate Business Tax Credits
- Sales & Use Tax Exemptions
- Angel Investor Tax Credit Program

For more information, contact:

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