

The Role of Tax Incentives in a Well Designed State and Local Tax System

Presentation to the Legislative Finance Committee
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Introduction

The New Mexico Tax Research Institute is a non-profit, non-partisan, member-supported organization dedicated to providing objective analysis in support of the principles of good state and local tax policy. These principles – as endorsed by our members -- include Adequacy, Equity, Efficiency, Administrative and Compliance Simplicity, Comprehensiveness, and the following principle with regard to tax incentives:

“Deviations from established tax policy in pursuit of economic development, social or other goals should be well-reasoned and pursued only when established tax policies are not significantly undermined and the results of such deviations can subsequently be measured and evaluated.”
(Emphasis added)

In today’s presentation, we will attempt to articulate some ways that these principles could be implemented. Our purpose is to help develop guidelines for new and existing tax incentives, with the ultimate goal of preserving and adding only those incentives that make a valuable contribution to New Mexico’s tax policies.

Different Types of Tax Incentives

- “Tax incentives” can be thought of as a *“Special preference to favor a particular industry, activity or class of persons.”*
- Tax incentives are not limited to economic development incentives. Numerous provisions are designed to encourage other types of activities.
- Table A-1 is a list of tax incentives in current New Mexico statutes. We have divided current law incentives into three categories:
 - (1) Provide relief from poverty, sickness or other disadvantages;
 - (2) Encourage activities that generate benefits to the general public; and
 - (3) Encourage the growth of a particular industry within the state or local jurisdiction.
- In developing the table, we have excluded numerous provisions that are intended to define the proper scope of the tax base, to prevent double taxation and to avoid interference in interstate commerce. It is difficult in some cases to make these distinctions. Some examples:
 - The 50% deduction for net capital gain income can be viewed as an incentive to invest in New Mexico or as an attempt to reduce the taxation of inflationary gains.

- Allowing corporations to elect to file as separate entities can be seen as an incentive to locate in New Mexico because it is more flexible than the treatment allowed by some other states. It can also be seen as the simplest way for a corporation to determine how much income should be apportioned to New Mexico.
- GRT exemptions and deductions designed to mitigate what would otherwise be a disincentive – e.g. (1) tax on business inputs like internet and software services provided to an internet service retailer; (2) deductions for exports; (3) Technology Jobs Tax Credit attempts to mitigate the State’s otherwise relatively high tax on research and development activity.

Incentives as economic development policy

Arguments in favor of tax incentives:

- State and local governments should use their revenue system to attract capital investment, with the hope that added capital will increase both employment and average wages.
- An economic theory called “optimal tax theory” supports reducing tax burdens on firms that are most likely to respond, i.e. “footloose” capital. Evidence from some multi-state studies suggests that this principle is in fact being applied by many states.
- 1997 Business Tax Competitiveness Study found that IRB’s had a significant effect in reducing New Mexico’s business tax burden. New Mexico’s competitive position among 9 western states improved from 7th to 5th when the advantages of IRB financing were applied. This was mainly due to the sharp reduction of property tax, and to a lesser extent GRT on business purchases. The study concluded that business incentives had little impact on the relative ranking of the other states in the comparison.
- Although taxes may not be the most important factor in plant location/expansion for large businesses, they may be more important to small & medium firms. An example are service sector companies that experience large severance and retraining costs when they move.
- Targeted incentives offer a tool to address some of these problems cheaply when compared with broad-based tax cuts.

Arguments against tax incentives:

- Incentives create inequity within the tax system. This inequity may cause existing businesses and workers to be less welcoming to new development.
- State taxes are a small part of total costs and state-to-state differences are even smaller. Thus, they probably do not have much impact on rate of return variation across states. Since state and local taxes are deductible for Federal income tax purposes, this further reduces the significance of state-to-state differences.
- Differences in tax burdens may be offset by differences in the quality of public services provided.
- If all states allow incentives, relative positions may not change. The result of all states’ incentives is simply to reduce the national tax on investment.

- Economic models are not able to predict the ultimate beneficiaries of incentives. Benefits may flow to the owners of capital, to local laborers, to consumers or to landowners depending on the mobility of capital and labor across state lines.
- Relocation incentives do not address the treatment of retained investment. Investment and employment by existing firms is probably much more important to growth than relocations. Most of New Mexico's current incentives are targeted at newly-relocating firms. This provides no incentive to the population of taxpayers most likely to invest in New Mexico.
- Transferable tax incentives are very poorly targeted because the taxpayer receiving the tax benefits usually pays significantly less than their full value to the taxpayer who engaged in the qualified activity. The difference is a waste of public funds.
- We can never know with certainty the answer to the "but for" question, i.e. whether an investment would not have taken place "but for" the incentive.
- Incentives increase complexity – for taxpayers and for TRD – especially when they are not well crafted.
- Do tax incentives implicitly violate the anti-donation clause?

Incentives to achieve other policy objectives

Economic theory supports government subsidies in markets for "public goods." These are goods that provide benefits to many people in a way that makes it impossible to charge each person who benefits. Private markets will tend to under-supply these goods. Examples include national defense, pollution control and disease control.

Advantages:

- The tax system is so comprehensive that it offers policymakers a mechanism to distribute benefits to almost any conceivable targeted group at a relatively low administrative cost.
- Tax incentives need not be open-ended entitlements. They can be subject to caps, etc. but this increases the administrative costs.

Disadvantages:

- Economic research provides very little concrete evidence of the amount by which desirable activities should be subsidized. For example, although there is widespread support for environment-friendly policies, there is little agreement on what total amount should be spent on such subsidies.
- Even if taxpayers are required to file extra forms, the State has limited personnel available to conduct oversight of these incentives.
- Added complexity increases costs for taxpayers and for the Tax Department.
- Benefits of deductions and exemptions depend on the taxpayer's pre-incentive liability and tax bracket. Unless refundable, benefits of tax incentives are limited to those with positive tax liability, and are limited to the extent of that liability.

Does the demand for incentives indicate the need for tax reform?

New Mexico's single biggest tax policy problem is the GRT on business purchases. This creates inefficiency and inequity in the tax system. Incentives like IRB's and Investment Credits are clearly in response to this problem. Other examples include targeted exemptions and deductions within the GRT itself: Solar energy systems; Locomotive engine fuel; Renewable electricity transmission; Biomass equipment; Military transformation systems; Uranium processing; Film production; Biodiesel facilities.

The proliferation of these policies suggests that policy makers agree with business that the GRT is imposing an excessive burden, but that they prefer to address the problem in a piecemeal fashion rather than address pyramiding systematically. Incentives may actually make the pyramiding problem worse because they reduce the tax base, putting upward pressure on tax rates. The correct solution to these problems is to address pyramiding directly.

Accountability

Although everyone agrees that accountability is desirable, in practice it is very difficult to achieve.

- The State has very limited resources for enforcing accountability. Higher priorities at the Tax Department and other departments mean this function has traditionally received less attention than it should. If the State plans to add more incentives, and even to administer the ones it already has, it needs to add personnel to oversee them.
- Any reporting requirements should balance the State's need for information with the taxpayer's need for privacy and for certainty in claiming a tax incentive. Statutes should be as clear as possible about the criteria by which a business earns an incentive, and the purpose for which reported information will be used.
- Even with detailed information about employment, investment, etc., we can almost never conclude with certainty that a particular incentive was needed to bring a business to the state.

Guidelines for evaluating tax incentives

Given that there are pros and cons of tax incentives, how can we design incentives so that they target appropriate investments while at the same time maintaining an overall tax system that is adequate, fair, efficient and as simple as possible?

- Incentives should be narrow exceptions to the tax system. Some possible criteria for distinguishing "good" from "bad" incentives:
 - Is the incentive needed to reduce a tax dis-incentive in the New Mexico system that the taxpayer would not face in a competing state? If so, how do the other aspects of the New Mexico tax system treat this type of business when compared with other states?
 - If designed to encourage relocation, is it targeted at a business that will face unusually large relocation expenses? Examples might include an operation that will need extensive retraining of New Mexico workers, and/or faces high severance costs in its former location.
 - Do targeted businesses offer the potential of attracting suppliers, customers and other related businesses?

- If the requested incentive points to the need for systematic reform, we should ask why that is not a more appropriate solution. If the fiscal impacts of appropriate reform are deemed too great, can a reform package be assembled with offsetting “raisers” and “losers”?
- Allowing a credit against withholding liability, and making a credit refundable or transferable, means that the problem is not with the state’s tax system, i.e. the tax system is being used to provide a cash subsidy outside the budget appropriation process.
- Caps are appropriate as well as sunsets. These limit the potential erosion of the tax base and consequently the adequacy, equity and efficiency of the tax system.
- Attempting to target specific sub-state regions may be unnecessary. If the state can succeed in growing its metropolitan areas, evidence suggests this growth will eventually spillover into rural areas. Meanwhile, geographic targeting creates inequities and limits the effectiveness of incentives.
- Persons applying for incentives should be required to provide enough information – both before and after the incentive is adopted – to enable the State to make well informed decisions.
- The State’s interests are not furthered by incentives that are so complicated or so limited that they benefit only a few taxpayers and/or provide very limited benefits to each taxpayer. Most taxpayers are sophisticated enough to know whether an incentive offers them any real benefits. If a firm makes a decision based on a misunderstanding of potential benefits, they are likely to either reverse that decision, or to ask for more statutory changes to provide the promised benefits.
- To clarify how incentives interact and how much in total subsidy is being provided, the State may want to consolidate the various incentives within each tax program. The federal government has done this with the General Business Credit form. The form collects the total amount of all credits that can be applied against the income tax. The taxpayer then applies this total against their liability. The unified credit act could also contain a standardized set of definitions to reduce confusion.

Tax Incentive Design: Specific Questions

With these general principles in mind, the following are suggested specific questions which would help us to evaluate proposed and existing tax incentives.

Table 1: Policy Questions for Proposed Tax Incentives: Non-Economic Development Related

1.	What public policy goal is the incentive intended to achieve?
2.	Could the goals be met more efficiently by other means, for example by direct expenditure?
3.	How can we limit the tax expenditure so that we spend no more than needed to achieve the goals?
4.	How will we determine if the goals are met? What information will beneficiaries provide to help us evaluate its success? Who will do the evaluation?
5.	Would the incentive be more properly provided as a credit, exemption or deduction?

Table 2: Policy Questions for Proposed Economic Development Tax Incentives

1. What are the specific goals? If increased jobs, for whom? What kind of jobs?
2. How many taxpayers are likely to benefit? Is the total fiscal impact to the state limited?
3. How does this incentive interact with other incentives?
4. How much in total State and Local incentives is being provided per job?
5. How will we determine if the goals are met? What information will beneficiaries provide to help us evaluate its success? Who will do the evaluation?
6. Would the incentive be more properly provided as a credit, exemption or deduction?
7. Is the process for claiming the incentive one that the Tax Department can administer with current personnel? Is the claim process clear enough so that taxpayers will know if they are eligible and the amount of incentive for which they are eligible?
8. Is the need for this incentive an indication of the need for broader tax reform?

Table 3: Drafting Questions

1. What process will taxpayers use to claim credit?
2. Is the incentive refundable? If not, what carryforward period will apply?
3. Can taxpayers claim other incentives for the same activity? If so, what stacking order will they apply?
4. Is the incentive limited to activities or property located in New Mexico?
5. What are the qualifying periods during which the taxpayer must perform the targeted activity? During what qualifying periods can the taxpayer claim the incentive?
6. What events trigger incentive recapture and over what period and to what extent is the previously-claimed incentive to be recaptured?
7. If the incentives targets new or incremental activities, how are the base and incremental amounts of activity to be calculated? If there is a "cliff" in the criteria, can that be converted to a gradual phase-out?
8. How is the incentive base itself calculated? For example, if the incentive is based on payroll, does it include benefits? If based on investment, how measured?
9. Does the incentive include a sunset provision?
10. Is the total amount of incentive capped? How is the cap to be administered?
11. Is there a pre-certification required to establish eligibility?
12. What ongoing monitoring and evaluation will be required?
13. How will the credit be applied against state and local revenues? Which revenues? What stacking order?

Appendix 1: Suggestions for more consistent statutory language

Current statutes vary widely in their treatment of some important policy issues. The result is confusion and incentives that cannot be used by targeted populations. Table A-2 presents a table showing provisions of current incentives. The following are suggestions for making statutes more consistent and clear.

Stacking of multiple incentives:

When a taxpayer is eligible for more than one incentive, return preparation and processing become much more complicated. Taxpayers have to evaluate issues like the following: (1) whether to claim refundable incentives before or after non-refundable incentives; (2) Any specific prohibition on the use of one incentive with another; and (3) Different carryforward limitations.

Suggested treatment: Collect all credits that apply against a particular tax and subject them to a collective limit, e.g. not allow them to exceed current liability, with a limited carryforward of credits that cannot be used within any one time period.

Administering caps on total amounts claimed:

Administering caps requires that the state somehow track cumulative claims during the relevant time period. This can be difficult, especially with tax incentives that may have large numbers of claimants. The best approach is to require a pre-certification of some kind so that the certifying agency can control how much is approved. This frees the Tax Department from having to track the incentives as they are actually claimed.

Qualifying periods and tax periods for claiming:

Limit qualified activity to after the effective date of the bill (and before any sunset). Limit period for which claims can be made to a fixed period of time – one year is probably appropriate for most purposes -- after the taxpayer has received approval from the Tax Department for the use of the credits.

Claim process:

Some statutes are confusing about a two-step claim process. Need to clarify which require pre-approval. Credits should track accounting cycles, i.e. annual for annual taxes, monthly for monthly taxes, allow for fiscal year vs. calendar year filers.

Geographic criteria:

Several different geographical areas are identified for the purposes of different credits. For example: Technology Jobs Tax Credit: Any area other than (1) a Class A county, (2) a Class B county with Net Taxable Value in any year greater than \$3 billion; (3) Rio Rancho, and (4) the area within 3 miles of the

external borders of a Class A county. High Wage Jobs Tax Credit: Outside a municipality with a population of 40,000. Affordable Housing Tax Credit: Any county with a population less than 100,000.

Suggested treatment: Avoid the use of geographic limitations as unneeded and causing significant complexity.

Cliffs:

Some incentives contain a specific dollar amount below which the incentive is not available and above which it is available. This is not fair or efficient. Example: High wage Jobs Credit is available only if a job pays exactly \$28,000 or more, i.e. \$27,999 not eligible at all.

Suggested treatment: Phase credit rate in over some range, for example, starting at the threshold wage rate, the credit amount could be some percentage of the wage amount over the threshold.

Base/Increment Criteria Measurement:

Some credits compare employment levels on the day one year after a person is hired with the level the day prior to their hiring. This is arbitrary because employment levels can fluctuate and the measure on one day may not be a good indication of average employment levels.

Another issue is whether to include benefits in the base for calculating eligibility. Including benefits in base significantly increases complexity. The monetary value of benefits is difficult to calculate and assign to a particular job. E.g. insurance costs of a self-insured employer.

Suggested treatment: Use the employer's average employment level over some period, for example, the year prior to the year for which the credit is being claimed (e.g. TJTC). Exclude benefits from the credit base.

Taxes against which credit is claimed:

Provide a standard definition of "modified combined tax liability" in a General Business Credit Act and refer to this definition in each individual credit act. The stacking order of different incentives could be specified at the same time. Current statutes are unclear as to whether credits for activity in metropolitan areas should be applied against the full amount of the State GRT (5%) or only against the state's share of that GRT after the 1.225% municipal revenue-sharing portion is deducted. Similar ambiguities affect the credit against compensating tax, a portion of which is shared with local governments.

Recapture:

Provide standard language in a General Business Credit Act. Options include: Specifying a time period within which if a taxpayer ceases doing business in New Mexico after claiming credit, recapture would apply. May want to allow for circumstances beyond the taxpayer's control. Recapture could include: no further credits being allowed, amounts not claimed are extinguished and possibly full reimbursement for any credits already claimed within a specified period.

Reporting:

Several statutes currently require annual reporting, but neither the Tax Department nor other departments have been able to meet these requirements. This is partly due to inadequate staff and partly due to the complexity of the research that would be needed. Without the addition of personnel for this function, we suggest that the state should avoid requiring annual reports on all incentives. One possible alternative would be a periodic review, perhaps of just a portion of incentives each time.

Pass through entities:

When income tax incentives accrue to a pass-through entity, the question arises how should the financial benefit of the incentives be passed through to the owners? In general state law is silent on this issue, so that the pass through will be governed by the contractual relationships between the entity and its owners, subject to the applicable federal laws and financial accounting regulations.

However, in some cases, state law stipulates that the benefits of an incentive should be allocated among owners of an entity according to a particular formula. The concern here may be that without such rules tax benefits may be awarded in an amount that exceeds the ownership contribution. The problem with stipulating only one method of allocation is that PTE's operate under a variety of business models, and it is possible that the stipulated rule would result in an incentive not being fully utilized.

**Table A-1:
Targeted Incentives in New Mexico Tax Statutes**

Promote Desirable Social Activity	Promote Other Desirable Activity	Targeted Economic Development Incentives
Individual Income Tax:¹		
Medical savings accounts exemption	Child care expenses credit	Angel investment credit
Adopting special needs child credit	Cultural property preservation credit	Rural jobs credit
Rural health practitioner credit	Business facility rehabilitation credit	Film production credit
Organ donation expenses deduction	Welfare-to-work credit	Technology jobs credit
	Electronic I.D. equipment credit	Affordable housing credit
	Open space land donation credit	
	Solar market development credit	
	Working families tax credit (?)	
	Renewable energy production credit	
	Sustainable building credit	
	Agricultural water conservation credit	
	Blended biodiesel fuel credit	
	National guard insurance exemption	
	Armed forces salary exemption	
Corporate Income Tax¹		
Corporate supported child care credit	Cultural property preservation credit	Rural jobs credit
	Welfare to work credit	Film production credit
	Open space land donation credit	Technology jobs credit
	Business facility rehabilitation credit	Affordable housing credit
	Job mentorship credit	

¹ Excludes numerous provisions of federal law on which the state “piggybacks.”

	Electronic I.D. equipment credit	
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Promote Desirable Social Activity	Promote Other Desirable Activity	Targeted Economic Development Incentives
	Renewable energy production Credit	
	Sustainable building credit	
	Agricultural water conservation credit	
	Blended biodiesel fuel credit	
Withholding Tax		
		Rural jobs tax credit
		Manufacturer's investment credit
		Technology jobs credit
		High wage jobs credit
		Advanced energy credit
		R&D small business credit
		Affordable housing credit
		Alternative energy product manufacturer's credit
Gross Receipts and Compensating Tax²		
Non-profit organizations' receipts exemption	Wind energy equipment deduction	Agricultural products exemption
Religious organizations receipts exemption	Sales to credit union deduction	Railroad, aircraft and space vehicle exemption
Prosthetic device deduction	Biodiesel facility credit	Event center surcharge exemption
Hospital receipts deduction	Reclamation spending receipts deduction	Agricultural products exemption
Prescription drugs deduction	Biomass-related spending deduction	Racetrack receipts
Medical services deductions	Renewable energy transmission deductions	Athletic facility surcharge exemption
Food sales deduction	Solar energy systems deduction	Locomotive fuel exemption
Sales tax holiday	Advanced energy credit	Spaceport operation receipts deduction
Hospital receipts credit		Space test articles deduction
Uncompensated care expenses credit		Software development services deduction
Hospital construction spending deduction		Newspaper sales deduction
		Agricultural implements

² Excludes provisions for the purposes of avoiding double taxation, and for avoiding tax on interstate commerce.

		compensating tax deduction
Promote Desirable Social Activity	Promote Other Desirable Activity	Targeted Economic Development Incentives
		Uranium enrichment equipment compensating tax deduction
		Jet fuel deduction
		Military transformation program deduction
		Performances at university arenas deduction
		Military construction receipts deduction
		Boxing contest promotion receipts deduction
		Manufacturer's investment credit
		Laboratory small business partnership credit
		Technology jobs credit
		High wage jobs credit
		Advanced energy credit
		R&D small business credit
		Affordable housing credit
		Alternative energy product manufacturer's credit
		Tax increment development financing
Other Tax Programs		
Motor vehicle excise tax exemption for disabled persons	Motor vehicle excise tax exemption for gasoline-electric hybrid vehicles	Cigarette tax exemption for sales on Indian lands
Weight-distance tax exemptions for schools, agriculture, and charitable organizations	Alternative fuel reduced tax rate	Gasoline tax deduction for Indian retailers
Special fuel tax deduction for school buses	Reduced Oil and gas severance tax rate for enhanced oil recovery; Well workover projects; Stripper wells; and Production Restoration projects	Property tax exemption for Industrial Revenue Bond financed property, and for Metropolitan redevelopment property

Table A-2. Incentives for Environmental Policy

Type of Credit	Advanced Energy	Alternative Energy Products	Land Conservation	Renewable Energy Production	Biodiesel Fuel Production	Biodiesel Facility	Solar Energy Systems	Sustainable Buildings
Statute	7-9G-2	7-9J	7-2-18.10; 7-2A-8.9	7-2-18.18; 7-2A-19	7-2-18.21; 7-2A-23	7-9-79.2	7-2-18.14	7-2-18.19; 7-2A-21
Taxes Applied Against	CRS	CRS (State GRT)	PIT; CIT	PIT; CIT	PIT; CIT	GRT & Comp.	PIT	PIT; CIT
Credit rate	6% of costs of qualified facilities	5% of manufacturing equipment	50% of the value of land donated up to \$100,000	Variable amount per kilowatt of renewable electricity generated	Decreasing amount per gallon of biodiesel fuel blended	30% of costs up to \$50,000	30% of cost of solar system purchase and installation less federal credit allowed	Variable amount per square foot depending on energy efficiency rating
Eligibility	Taxpayer must be certified by the Environment Department	One employee per \$500,000 equipment up to \$30,000,000 or per \$1 million over \$30,000,000	Donations must be made to N.M., or to a 501(c)(3)	Ownership of electricity generating facility using renewable resources	Must be taxable gallons under the Special Fuels Tax	Certification by EMNRD required	Not allowed for pool heating or for commercial systems	Building must be certified by EMNRD
PTE Allocation Rules	No	No	No	No	Yes	No	No	Yes
Carry Forward	5 Years	5 Years	20 Years	5 Years	5 Years	4 Years	10 Years	7 years
Refund-able	No	No	No	Partial	No	No	No	No
Transfer-able	No	No	No	Yes	No	No	No	Yes
Recapture	Partial	Yes	No	No	No	Yes	No	No
Sunset	31-Dec-15	No	No	31-Dec-17	31-Dec-12	No	31-Dec-15	No
Anti-Double Dip	Yes	No	No	Partial	Yes	No	No	Partial
Overall Cap	\$60 million (cumulative)	No	No	\$25 million (annual)	No	\$1 million (annual)	\$5 Million (annual)	\$10 million (annual)
Review Required	NMED	No	No	No	No	No	No	No

Table A2 Continued: Employment Incentives

Type of Credit	Technology Jobs Tax Credit	High Wage Jobs Tax Credit	Rural Job Tax Credit	Welfare-to-Work	Job Mentorship
Statute	7-9F	7-9G	7-2E	7-2-18.5	7-2-18.11; 7-2A-17.1
Taxes Applied Against	CRS (State GRT); PIT; CIT	All CRS except local option GRT.	All CRS except local option GRT	CIT	PIT; CIT
Credit rate	8% (16% in rural areas) of expenditures	10% of wages up to \$12,000 per employee for each of four years	25% of first \$16,000 wages (rural) or 12.5% of first \$16,000 (urban)	50% of federal Welfare-to-Work credit	50% of wages of up to 10 students up to \$12,000
Eligibility	\$75,000 payroll increase per \$1 million expenditures	Employment one year after hire must exceed the level one day prior to the hire	Employer must be approved for Job Training Partnership Program	Total employment must increase; must be in high-unemployment county	Student eligibility is certified by secondary schools
PTE Allocation Rules	Yes	No	No	Yes	Yes
Carry Forward	Indefinite	No	Yes	3 Years	3 Years
Refund-able	No	Yes	No	No	No
Transfer-able	No	No	Yes	No	No
Recapture	Yes	No	No	No	No
Sunset	No	6/30/2015	No	No	No
Anti-Double Dip	Partial	No	Partial	No	No
Overall Cap	No	No	No	No	No
Review Required	Yes	No	Yes	No	No

Table A-2 Continued: Miscellaneous Incentives

Type of Credit	Film Production	Investment Credit	Affordable Housing	Cultural Property	Facility Rehabilitation	Electronic ID Card Reader	Angel Investment	Laboratory Partnership with Small Business	Small Business R&D Holiday
Statute	7-2F	7-9A	7-9I	7-2-18.2; 7-2A-8.6	7-2-18.4; 7-2A-15	7-2-18.8; 7-2A-18	7-2-18.17	7-9E	7-9H
Taxes Applied Against	PIT; CIT	CRS (State GRT)	All CRS except local GRT options & GGRT; PIT; CIT	PIT/CIT	PIT; CIT	PIT; CIT	PIT	GRT (state portion)	CRS
Credit rate	25% of expenditures on film production	5% of equipment incorporated in a manufacturing operation	50% of property contributions	50% of cost of preserving cultural property up to \$25,000	50% of cost of rehabilitating business property up to \$50,000	\$300 per location at which equipment is used	25% of investment up to \$100,000 per taxpayer	100% of assistance to small businesses up to per business limits and a total of \$2.4 million per taxpayer	100% of GRT & Comp. Tax liability
Eligibility		One employee per \$500,000 of equipment up to \$30,000,000 or per \$1 million of equipment over \$30,000,000	Contribution of land, buildings, cash or services for project approved by MFA	Owner of cultural property	Business property must be located in an Enterprise Zone and must have been vacant for 24 months	Owner of equipment for reading ID's	Eligibility must be certified by Economic Development Department		Less than 25 employees/\$5 million of revenue; 20% of expenditures on research
PTE Allocation Rules	No	No	No	Yes	Yes	Yes	Yes	No	No
Carry Forward	No	Yes	5 Years	4 Years	4 Years	No	3 Years	No	No
Refund-able	Yes	No<2>	No	No	No	No	No	No	No
Transfer-able	No	No	Yes	No	No	No	No	No	No
Recapture	No	No	No	No	No	No	No	No	No
Sunset	No	<3>	No	No	No	No	31-Dec-11	No	6/30/2009
Anti-Double Dip	No	No	Partial	No	Partial	No	No	No	Partial
Overall Cap	No	No	\$3.7 million (annual)	No	No	No	\$750,000 (annual)	\$4.8 million (annual)	No
Review Required	No	Yes	No	No	No	No	EDD	No	No

