

H.B. 262: Incentives Amendments

Summary | January 31, 2022

Tax credits modified

- **Research activities**
 - Eliminates one credit equal to 7.5 % of total qualified research expenses
 - Leaves two other existing credits, which mirror the existing federal credit:
 - 5% of the taxpayer's qualifying research expenses (above a baseline)
 - 5% of the taxpayer's payments to a qualified research organization for basic research (above a baseline)
 - Requires the Tax Commission to create and taxpayers to complete a worksheet to calculate the research activities credit
- **Economic development tax increment financing (EDTIF)**
 - Provides an end date of July 1, 2022, after which the Governor's Office of Economic Opportunity may not enter new contracts or extend or increase existing contracts authorizing an economic development tax increment financing tax credit
- **Enterprise zone**
 - Eliminates the credit amount for rehabilitation of certain vacant buildings
 - currently 25% of first \$200,000 spent
 - Modifies the credit amount for investment in depreciable property
 - currently 5% of first \$750,000; modified to 2.5% of first \$500,000
 - Modifies the credit amounts for job creation from four available credits equaling a maximum of \$2200/job to one available credit amount of \$750/ job created meeting the following criteria:
 - Pays 125% of the county average monthly nonagricultural payroll wage (of respective industry, if available)
 - Filled by employee who is insured under employer-sponsored health insurance program; employer pays at least 50% of premium costs
- **Historic preservation** (*only individual income tax credit modified*)
 - Reduces credit amount from 20% to 10% of qualified expenditures
- **Commercial renewable energy systems**
 - Reduces the available credit amounts by 50%
 - Investment credit amount reduced from 10% of reasonable costs up to \$50,000/commercial unit to 5% of reasonable costs up to \$25,000/commercial unit
 - Production credits reduced from \$0.35/kilowatt hour of electricity produced and used or sold to \$0.175/kilowatt hour of electricity produced and used or sold

Tax credits repealed

- Investment in life science establishments*
- Interest income from state and federal securities
- Historic preservation (*only corporate credit is repealed*)**
- Renewable energy system for a residential unit (*only corporate*)**
- Recycling market development zone
- Alternative energy development**
- Qualifying solar projects*
- Motion picture (*cash incentive also repealed*)

*credits with declining usage in recent years

** credits with fewer than 10 claimants & claims of less than \$10,000/year for most recent three years with available data



Other provisions

- Honors current tax credit obligations by providing that when a credit expires or is repealed, the taxpayer may carry forward any remaining credit amount for the period described in the tax year the credit was first claimed.