Appendix A: Significant Corporate Franchise Tax Law Changes -- 1984-1995

The following table shows significant tax law changes affecting the corporate franchise tax, the investment tax credit, the employment incentive credit and the alternative minimum tax from 1984 to 1995.

Highlights of Significant Corporate Franchise Tax Law Changes
1984-1995[1]

Tax Year	Corporate Franchise Tax	Investment Tax Credit	Employment Incentive Credit	Alternative Minimum Tax
1984	Corporate franchise tax rate equals 10%.	ITC rate equals 6% Taxpayers also eligible to claim credit for rehabilitation expenditures of a retail enterprise beginning in 1981	EIC - 50% allowed for amount of ITC for three years after ITC was allowed if employment was 101% of employment in year prior to ITC year	Does not apply
1986	*Creation of the Economic Development Zone Program* The program allows a tax credit for investing in economic development zone corporations	ITC provisions unchanged	EIC provisions unchanged	Does not apply

Tax Year	Corporate Franchise Tax	Investment Tax Credit	Employment Incentive Credit	Alternative Minimum Tax
1987	*The Business Tax Reform and Rate Reduction Act of 1987* -The corporate franchise tax rate was reduced from 10% to 9% (The Act applied a 8% corporate income tax rate to small business taxpayers.) -The corporate officers' salaries tax base was eliminated -The capital base was amended to include a deduction for long-term debt; the tax on the capital base was capped at $350,000 -Alternative Minimum Tax imposed	The research and development credit, investments in industrial waste treatment facilities and air pollution control equipment become fully merged with the ITC. The R&D rate dropped from 10% to 9%. The entire stock of credits was limited to a 7 year carryover. The ITC rate was reduced to 5% of the first $500 million of investments and 4% of the amount above $500. (For tax years beginning in 1987, 1988 and 1989.)	A two-year employment incentive credit was allowed, phased in over several years. For tax years beginning in 1987 to 1989, the EIC rate equaled 2% of the first $500 million of the ITC base, with a 2.5% rate applying to the ITC base in excess of $500 million. The average number of employees must have exceeded 101% of the average number of employees immediately preceding the taxable year under which the ITC was allowed. After 1989, the credit increases with employment increases.	A minimum tax based on 3.5% of the minimum taxable income base was imposed for tax years in 1987, 1988 and 1989. The rate was scheduled to decrease to 3% beginning in and after 1990. Computation based on three single- weighted factors A credit was added to AMT, but not available until 1991
1989	A graduated fixed dollar minimum was imposed based on gross payroll, ranging from $325 for gross payrolls of $1,000,000 or less to $1,500 for gross payrolls of $6,250,000 or more. (Applied to tax years beginning after 6/30/89.) Net operating loss carryback was limited to $10,000 for tax years after 6/30/89.	Unchanged from 1987	Unchanged from 1987	The minimum tax rate of 3.5% was increased to 5% of the pre-1990 minimum taxable income base. The rate was scheduled to equal 5% for taxable years beginning in 1990, 4.5% for 1991 and 3.5% after 1991.
1990	Temporary 15% tax surcharge applies to post-credit tax liabilities under Articles 9, 9-A, 13, 13-A, 32 and 33	The amount of the ITC base is reduced from 5% of the first $500 million and 4% of amounts above $500 million; to 5% for the first $425 million to 4% above this amount.	The rate equals 2% provided the average number of employees (as a percentage of those in the employment base year) equals at least 101%, but less than 101.5%. The rate increases to 2.5% for average number of employees in excess of 101.5%.	Net operating loss deduction disallowed under alternative income base

Tax Year	Corporate Franchise Tax	Investment Tax Credit	Employment Incentive Credit	Alternative Minimum Tax
1991	No significant changes	The amount of the ITC base was reduced from 5% of the first $425 million to 5% of the first $350 million and 4% for amounts above $350 million.	The rate equals 1.5% provided the average number of employees (as a percentage of those in the employment base year) equals at least 101%, but less than 102%. The rate increases to 2% for average number of employees of at least 102%, but less than 103% and to 2.5% for the average number of employees of at least 103%.	The AMT rate was changed to 5% for taxable years beginning in 1990, 1991 and 1992. After 1992, the rate was scheduled to drop to 3.5%.
1992	No significant changes	Unchanged from 1991	Unchanged from 1991	The AMT rate equaled 5% for taxable years beginning in 1990, 1991, 1992 and 1993. After 1993, the rate was scheduled to drop to 3.5%.
1993	The EDZ investment tax credit expanded to include industrial waste treatment faciltiies and air pollution control equipment or research and development property. EDZ wage tax credit repealed residency requirements and changed calculation of the credit. EDZ capital corporation credit expanded qualified investments	Unchanged from 1992	Unchanged from 1992	The AMT rate equals 5% for taxable years beginning in 1990, 1991, 1992, 1993, and 1994. After 1994, the rate was scheduled to drop to 3.5%.

Tax Year	Corporate Franchise Tax	Investment Tax Credit	Employment Incentive Credit	Alternative Minimum Tax
1994	A two-year wage credit was established for businesses in zone eligible areas. The temporary surcharge was scheduled to be phased out and eliminated for tax years ending after 6/30/97. The rate was reduced from 15% to 12.5%. New York law was recoupled to current federal depreciation rules to provide full conformity to MACRS for all property. (This change affords tax relief for companies that have property both within and outside the State.)	The ITC carryover period was extended from 7 to 10 years.	The EIC carryover period was extended from 7 to 10 years.	The AMT rate was allowed to fall to 3.5% for taxable years beginning after 1994. A net operating loss deduction was allowed in computing alternative income. The law allowed a retroactive AMT credit, which incorporated NOLDs (for taxable years after 1989), to be applied against future ENI tax. The law changed the receipts factor to double weighted.
1995	The temporary surcharge rate was reduced from 12.5% to 7.5% for tax years ending after 6/30/95 and before 7/1/96.	Unchanged	Unchanged	AMT rate remains at 3.5%.

Endnotes

1. For a full description of tax law changes, see New York State Department of Taxation and Finance, Office of Tax Policy Analysis, New York State Tax Source Book (January, 1995); New York State Fiscal Year 1994-95 Budget: Summary of Tax Provisions (June, 1994); and State of New York 1995-96 Tax Provisions (June, 1995).

Appendix B: Overview of Other States' Present Investment Tax Credit Statutes and Rate Structures

Most states offer some form of investment tax credit (ITC) to stimulate investment and create jobs. A number of states also offer a tax credit for research and development property. Thirty-five of the forty-five states with a corporate income tax have ITCs.[1] These credits may be targeted to investment in an enterprise zone, or to the construction of a specific facility. Twenty-two states (including New York) offer credit for research and development property.

The following table presents a general comparison of states' 1995 ITC provisions and corporate tax rates. It also shows whether a state allows an economic development zone credit and a research and development credit. Many states, such as New York and California, offer a general ITC for manufacturing. Other states, such as Florida, North Carolina, and Pennsylvania do not offer an ITC. States in which the ITC is not applicable include those that do not have a corporate income tax. These states include Nevada, South Dakota, Washington, and Wyoming.

This Appendix also contains detailed information on ITCs currently available to corporations for select states. These states include California, Connecticut, Massachusetts, New Jersey and Ohio.

Comparison of States' 1995 Corporate Income Tax Rates And Select Credits

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Alabama	Yes, 5% of net income	Only in enterprise zones	Yes, credit for new employment, expenses of training new employees and new investments within a zone: 10% on first $10,000 invested, 5% on next $90,000 invested and 2% on the remaining investment	No
Alaska	Yes, the net income tax rate ranges from 1% on income less than $10,000 to $4,500 plus 9.4% on income over $90,000	Yes, special industrial incentive tax credit based on percentage of credit allowed for federal taxes	No	Yes, as a percent of federal credit
Arizona	Yes, 9% of net income	Arizona allows an income tax credit to corporate taxpayers for the use and construction of an environmental technology facility	Yes, credit equals: 1st year employment, the lesser of 25% of taxable wages paid or $1,000 2nd year employment, the lesser of 33% of taxable wages paid or $1,500 3rd year employment, the less or 50% of taxable wages paid or $2,500	Yes, based on federal credit
Arkansas	Yes, the net income tax rate ranges from 1% on the 1st $3,000; 2% on the 2nd $3,000; 3% on the next $5,000; 5% on the next $14,000; to 6% on the next $75,000	No	Yes, wage credit for net new employees--credit equals 100 X the hourly wage up to $2,000	No
California	Yes, 9.3% of net income	Yes, manufacturer's investment credit equal to 6% of the amount paid for qualified property (both purchased and leased) that is placed in service in the State Effective: beginning on or after 1/1/94	Yes, for qualified wages, sales tax paid on machinery, property deduction, interest received deduction, NOLD	Yes, follows federal provisions for research credits IRC § 41, credit equals 8% of excess qualified research expense

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Colorado	Yes, 5% of net income	Yes, 10% of qualified property determined under IRC §38 and §46	Yes, for new business employee credit, employer sponsored health insurance, agricultural processing employee credit, contribution for child care programs, rehabilitation of vacant buildings	Yes, within an enterprise zone
Connecticut Act 250 Laws of 1992 Section 12-217M	Yes, 11.5% of net income for income years commencing prior to 1/1/95. For income years commencing on or after 1/1/95, and prior to 1/1/96, the rate equals 11.25%.	Yes, credit for machinery and equipment, new manufacturing facilities	Yes, 25% of the business tax that is allocable to the manufacturing facility	Yes, follows IRC § 174, the credit ranges from 1% for expenses less than $50 million to 5.5 mill and 6% of excess of 200 mill for expenses over $200 million
Delaware	8.7% of net income	Yes, for taxpayers who invest in a facility	Yes, $500 for each employee and $500 for each $100,000 invested up to $500,000	No
District of Columbia	Yes, 9.975% of net income for tax periods beginning 1/1/95 (rate includes surtaxes)	No	Yes, credit for employment, workers' compensation insurance premiums, and day care rental income	No
Florida	Yes, 5.5% of net income	No	Yes, job credit, enterprise zone property tax credit	No
Georgia	Yes, 6% of net income	Yes, for persons that have operated an existing manufacturing facility or a manufacturing support facility in Georgia for immediately preceding three years, rates range from 1% to 8%	Yes, jobs tax credit equal to $2,500 annually up to 50% of tax liability--Credit based on different jurisdictions	No

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Hawaii	Yes, the net income tax rate equals 4.4% of first $25,000; 5.4% of taxable income over $25,000, but not over $100,000; 6.4% on all taxable income over $100,000	No	Yes, credit equals percentage of income tax due, ranging from 80% first year to 20% 7th year	No
Idaho	Yes, 8% of net income	Yes, for capital investments--Rate equals 3%; limited to 50% of tax with 5-year carryover	No	No
Illinois	Yes, 4.8% of net income, plus personal property replacement tax of 2.5% of taxpayer's net income (total tax equals 7.3%)	Yes, for investments placed into service before 1997 for manufacturing, mining, and retailing, a taxpayer is allowed a credit against the personal property tax replacement income tax. The credit equals .5% of the basis of qualified property. Also credit for qualified investments in high impact business	Yes, investment credit, jobs credit	Yes, IRC § 41, 6.5% of increase in research and development expense over a base year research and development expense
Indiana	Yes, 3.4% of adjusted gross income, plus a 4.5% supplemental net income tax on corporations and other entities (total tax equals 7.9%)	Yes, for expenditures incurred for the rehabilitation of property located in an industrial recovery site.	Yes, employment expense credit, loan interest credit, neighborhood assistance credit, prison investment credit	No
Iowa	Yes, the net income tax rate equals 6% on first $25,000; 8% between $25,000 and $100,000; 10% between $100,000 and $250,000; and 12% of $250,000 or more	Yes, 10% rate Credit computed on new investments made within a quality jobs enterprise zone	Yes, new jobs credit, investment tax credit	Yes, 6.5% of Iowa's apportioned share of qualified expenditures

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Kansas	Yes, 4% of net income, plus a 3.5% surtax on income over $50,000	Yes, a 10-year credit for a qualified business facility if the number of employees employed at the facility as a direct result of the investment equals or exceeds 2 or more persons	No	Yes, 6.5% of research expense based on average of current and two prior years' expenditures
Kentucky	Yes, the net income tax rate equals 4% up to $25,000; 5% between $25,001 to $50,000; 6% between $50,001 to $100,000; 7% between $100,001 to $250,000 and 8.25% over $250,000	No	Yes, wage credit based on 10% of wages paid up to $1,500 per year per employee	No
Louisiana	Yes, the net income tax rate equals 4% of the first $25,000; 5% of income above $25,000, but not in excess of $50,000; 6% of income over $50,000, but not over $100,000; 7% on income above $100,000, but not over $200,000; and 8% on income in excess of $200,000	No	Yes, jobs tax credit	Yes, taxpayer must be located on a university research and development park--credit equals the cost of machinery and equipment used on premises
Maine	Yes, net income tax rate equals 3.5% of income not over $25,000; 7.93% of income over $25,000, but not over $75,000; 8.33% of income over $75,000, but not over $250,000; and 8.93% of income over $250,000	Yes, 1% rate, computed at 1% of investment credit base-computed on taxpayer's total original basis for federal tax purposes of all machinery and equipment placed in service in Maine	No	No
Maryland	Yes, 7% of net income	No	Yes, jobs credit	No

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Massachusetts	Yes, an excise equal to the greater of the following: $2.60 (includes surtax) per $1,000 of value of MA tangible property not taxed locally or net worth allocated to MA, plus 9.5% (includes surtax) of net income; or $400, whichever is greater ($456, including 14% surtax)	Yes, for manufacturing corporations, business corporations engaged in research and development or corporations engaged in agriculture or commercial fishing, 3% of the cost or other basis for taxable years beginning on or after 1/1/93, but not for taxable years beginning on or after 1/1/98. After 1/1/98, a 1% rate applies	No	Yes, terms same as IRC § 41--credit equals 10% of excess of qualified research expenses to taxable year over base year, plus 15% of base research payments
Michigan	Michigan imposes a single business tax, which is a modified value-added tax	No	Yes, tax liability multiplied by a ratio of property owned in zone to all property owned, plus ratio of payroll in zone to all payroll	No
Minnesota	Yes, 9.8% of net income	No	Yes, jobs credit and credit for debt financing Scheduled to expire 12/31/96	Yes, based on federal credit
Mississippi	Yes, net income tax rate equals 3% on first $5,000; 4% on next $5,000; and 5% on all taxable income in excess of $10,000	Yes, personal and corporate taxpayers allowed a credit for qualified investments in Magnolia Capital Corp., Magnolia Capital Fund Limited Partnership or the Magnolia Venture Capital Corp. Credit equals lesser of taxpayer's liability or the amount paid for investments multiplied by .03 plus any carryover	Yes, for qualified businesses in designated high tech and enterprise zones	Yes, wage credit equal to $500 per new employee hired for research and development
Missouri	Yes, 6.25% of net income	Yes, in general, credit for new or expanded business facility. Also small business investment tax credit equal to 30% of the amount of the investment	Yes, $100 per each new employee and $100 for each $100,000 of investment	Yes, beginning in 1/1/94

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Montana	Yes, 6.75% of net income (7% of net income for taxpayers electing water's edge)	Yes, small business investment credit for capital investments	No	Exemption from corporate and income taxes for newly developed research and development firm
Nebraska	Yes, 5.58% of the first $50,000 of taxable income and 7.81% of taxable income over $50,000	Yes, 10% of investment in qualified property and 5% of wages paid	Yes, $4,500 for each new employee and $3,000 for each $75,000 of investment	No
Nevada	No, Nevada does not impose a corporate income tax	NA	NA	NA
New Hampshire	New Hampshire imposes a business profits tax at the rate of 7.5%	Yes, an ITC limited to 75% of contribution made to the Community Development Finance Authority	No	Yes, equal to 15% of qualified manufacturing research and development expenditures
New Jersey	Yes, 9% of entire net income allocated to New Jersey	Yes, new jobs investment tax credit based on qualified investment. Also manufacturing equipment and employment incentive The new jobs credit was effective beginning in 1993. The manufacturing equipment credit was available beginning on or after January 1, 1994.	Yes, employment, investment	Yes, effective 1/1/94, a credit for an increase in qualified research expenses and basic research payments
New Mexico	Yes, net income tax rate equals 4.8% of taxable income not over $500,000; $24,000 plus 6.4% of excess over $1 million of taxable income over $500,000, but not over $1 million; $56,000 plus 7.6% of excess over $1 million	Yes, for qualified manufacturing property--credit equals the Gross Receipts and Compensating Tax rate in effect when the property is placed in service, provided employment increases	Yes, credit for businesses in enterprise zones equal to 50% of cost of restoring, rehabilitating, and renovating if put into service immediately following restoration. Building must have been vacant for 24 months prior to restoration. Credit may be claimed for 3 consecutive years--cannot exceed $50,000 total	No

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
New York	Corporate franchise tax computed on 9% of entire net income; or a tax on three alternative bases, whichever produces the greatest tax (this rate does not include surcharge)	Yes, 5% of the first $350 million of the credit base and 4% in excess of $350 million Optional 9% rate on research and development property	Yes, four separate credits available in EDZs: EDZ investment tax credit, employment incentive credit, EDZ wage tax credit and EDZ capital tax credit	Yes, ITC applies to research and development property at 9%
North Carolina	Yes, 7.75% of net income, plus 1% surtax	No	Yes, $2,800 per year per employee of newly created jobs in distressed areas	No
North Dakota	Yes, the rates equal 3% on taxable income from $0 to $3,000; 4.5% between $3,000 and $8,000; 6% between $8,000 and $20,000; 7.5% between $20,000 and $30,000; 9% between $30,000 and $50,000; 10.5% over $50,000	No	No	Yes, 8% of first $1.5 million, 4% for excess of $1.5 million
Ohio	Yes, the tax rate equals the greater of $50 or: 5.1% of the first $50,000 of the value of the taxpayer's issued and outstanding stock or 5.82 mills times the value of the taxpayer's issued and outstanding share of stock (See source for details)	Yes, Investment Credits: 25% of property taxes paid, for tangible personal property used in refining or manufacturing- on or after 1/1/78 Between 1/1/95-6/30/96, credit for purchases of new manufacturing machinery or equipment Refundable credit for 1994 if property acquired prior to July 1, 1989.	Yes, credits for employee training programs up to $1,000 per employee, also day care reimbursement tax credits	No
Oklahoma	Yes, 6% of net income	Yes, credit for investment in qualified depreciable property which is used in a manufacturing or processing facility	Yes, credit identical to investment credit, except doubled	No

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Oregon	Yes, 6.6% of income derived from Oregon sources	No	No	Yes, based on federal credit
Pennsylvania	Yes, 10.5% plus a surcharge of 1.75% (1.49% for taxable income received and accruing in 1994, 0.49% for 1995, 0.25% for 1996; and no surtax for 1997 and thereafter) Combined rate of 11.99% for 1994, 10.99% for 1995, 10.75% for 1996, and 9.9% for 1997 The rate equals 9.9% for fiscal years beginning in 1997	No	No	No
Rhode Island	Yes, 9% of net income	Yes, investment tax credit for newly acquired property, equal to 4% of federal basis in the property	Yes, credit for cash donation and interest earned on loans made to qualified businesses in the zone	No
South Carolina	Yes, 5% of net income	Credit for corporate headquarters for property costs	Yes, credit for employment in a depressed county	No
South Dakota	No, South Dakota does not impose a corporate income tax	NA	NA	NA
Tennessee	Tennessee imposes an excise tax rate equal to 6% of net earnings	Yes, industrial machinery excise tax credit of 1% of purchase price	Yes, new jobs credit, industrial machinery, educational institutional contributions	No

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Texas	No, Texas does not impose a corporate income tax. Texas does impose a franchise tax on a based on a corporation's net taxable capital and earned surplus	A franchise tax credit for sales taxes paid on manufacturing machinery	Texas grants a refund of franchise tax paid for businesses operating within an enterprise zone and a deduction for taxable capital	NA
Utah	Yes, 5% of net income	Only in enterprise zones	Yes, employment credit, investment credit	No
Vermont	Yes, the tax is the greater of $150 or 5.5% on net income from $0 to $10,000; $550 plus 6.6% of excess over $10,000 between $10,001 and $25,000; $1,540 plus 7.7% of excess over $25,000 between $25,001 and $250,000; $18,865 plus 8.25% of excess over $250,000 on income $250,000 and over	Yes, for qualified manufacturing capital expenditures between 7/1/93 and 6/30/95	Yes, wage credit for 10% of wages paid up to $1,500 per employee--another 5% per economically distressed employee	Yes, job creation credit of $1,500 per new job up to 50% of tax liability
Virginia	Yes, 6% of net income	Yes, limited to certain types of investments under the Neighborhood Assistance Act Credit	Yes, 80% of income tax due 1st year, 60% in years 2-10	No
Washington	No, Washington does not impose a corporate income tax	NA	NA	NA
West Virginia	Yes, 9% of net income	Yes, business investment and job expansion. Also small business credit	Yes, 50% of financing costs--100% of unemployment compensation costs	Yes, 10% of eligible costs taken over a period of 10 years
Wisconsin	Yes, 7.9% of net income	Income tax credit for sales tax paid on the purchase of fuel and electricity consumed in the process of manufacturing tangible personal property	Yes, real property investment credit, job credit, sales tax credit and research credit	Yes, 5% of amount paid for facility and equipment

State	Does State Have Corporate Income Tax?	Does State Allow Investment Tax Credit?	Does State Allow an Economic Development Zone Credit?	Does State Allow a Research and Development Credit?
Wyoming	No, Wyoming does not impose a corporate income tax	NA	NA	NA

Sources: Tax Management Multistate Tax Portfolio Income Taxes: State Tax Credits and Incentives, Tax Management Inc., 1994; Multistate Corporate Tax Guide 1995, Volume 1, Corporate Income Tax, Panel Publishers; and Commerce Clearing House Corporate Income Taxes, 1995. State of Arizona: Economic Development Policy Survey, Summary of Responses with 1995 Update (1995).

The following analysis details investment tax credits currently available to corporations for select states. These states include California, Connecticut, Massachusetts, New Jersey and Ohio.

California

Manufacturing Investment Credit

California allows a manufacturing investment credit for income tax years beginning after 1993.[2] The credit equals 6 percent of the qualified cost of equipment placed into service in California. A qualified taxpayer may be an individual, partnership, corporation, limited liability company, or trust engaged in manufacturing. Qualified property includes tangible personal property that is depreciable IRC §1245 property and certain computer software used primarily in any of the following activities:

- manufacturing, processing, refining, fabricating, or recycling of property;
- research and development as defined in IRC §174;
- air or water pollution control that meets or exceeds state or local standards;
- maintenance, repair, measurement, or testing or any property described above.

Qualified property also includes special purpose buildings and foundations used in high technology activities, such as manufacturing computers or software equipment. The credit applies to qualified property that is acquired by or subject to lease by a qualified taxpayer. The qualified cost equals the basis of the original cost to the lessor. Taxpayers may carry forward the credit for seven years. A small business may carry forward the credit for nine years.[3] A recapture of the credit occurs if the taxpayer removes the property from the state, disposes of it to an unrelated partly, or uses it for a nonqualifying purpose. The credit provisions expire on the later of January 1, 2001, or January 1 of the earliest year thereafter if the total employment in California in the manufacturing sector on the preceding January 1 does not exceed by 100,000 jobs the total of such employment on January 1, 1994.

In lieu of claiming the manufacturing investment credit, a qualified taxpayer may make an irrevocable election to claim a refund of a portion of the California sales and use tax paid with respect to the purchase of qualified property in an amount equal to the credit allowed under the investment credit.

Connecticut

Credit for Machinery and Equipment

Connecticut allows a credit for machinery and equipment for income years beginning on or after January 1, 1995. The credit applies to a business that has fewer than 500 full-time permanent employees. For a corporation with more than 250 employees, but fewer than 500, the credit equals 5 percent of the amount spent on machinery and equipment in excess of the amount spent the prior year. For a corporation that has fewer than 250 employees, the credit equals 10 percent of the increase in machinery purchases.

Credit for New Manufacturing Facilities

Connecticut also provides credit for new manufacturing facilities for income tax years beginning in 1993. The amount of the credit depends upon the classification of the facility as determined by the Commissioner of Economic Development. The Commissioner issues four classes of eligibility:

> Class 1 entitles the taxpayer to a credit of 10 percent of the tax liability of the new manufacturing facility. A Class 1 certificate requires the occupation of at least 250,000 square feet and 1,000 new employees. The maximum credit equals $25 million.
>
> Class 2 entitles the taxpayer to a credit of 15 percent. A Class 2 certificate requires 500,000 square feet and 2,000 new employees. The maximum credit equals $50 million.
>
> Class 3 entitles the taxpayer to a credit of 21.5 percent. A Class 3 certificate requires 750,000 square feet and 3,000 new employees.

The maximum credit equals $86 million.

Class 4 entitles the taxpayer to a credit of 25 percent. A Class 4 certificate requires 1,000,000 square feet and 4,000 new employees. The maximum credit equals $100 million.

Taxpayers may claim the credit in the first year of issuance of the eligibility certificate and in the following six years if the Commissioner of Economic Development issues eligibility certificates. Recapture of the credit applies if the number of new employees for whom the taxpayer claims the credit falls below 750 for more than 60 days during any of the six years following the first full income year after which the eligibility certificate was issued.

Massachusetts

Investment Credit

Massachusetts allows an investment credit for corporations engaged in acquiring, constructing, reconstructing, or erecting qualifying tangible property that is located and used by the taxpayer in Massachusetts. A qualifying business includes manufacturing or research and development corporations and corporations primarily engaged in agriculture or commercial fishing operations. The amount of the credit equals 3 percent of the cost or other basis of the qualifying property for taxable years beginning on or after January 1, 1993, but not for taxable years beginning on or after January 1, 1998. After January 1, 1998, a 1 percent rate applies. Qualifying property includes:

- depreciable property that is owned and used by the taxpayer;
- has a useful life of four years or more; and

- is situated in Massachusetts on the last day of the taxable year.

Massachusetts also allows credit for leased property. The taxpayer may carry forward the credit for three years. A recapture of the credit applies if the taxpayer disposes of the property or it ceases to be used in a qualified manner prior to the end of its useful life. The recapture does not apply if the property has been utilized for at least twelve years.

New Jersey

New Jobs Investment Tax Credit

New Jersey provides a tax credit for investment in new or expanded business facilities that create new jobs in the State commencing in 1993. The investment must create at least 5 new jobs (50 new jobs for large businesses) with a median annual compensation of $27,000. The size of the credit is determined by multiplying the investment by a New Jobs Factor. The factor differs depending on whether it is a small or large business. A new employee must be a New Jersey resident, hired to fill a regular, permanent position that did not exist but for the qualified investment. The employee must be unrelated to the taxpayer and not have been in the taxpayer's employ in the prior six months. A small business taxpayer[4] must create a minimum of 5 new jobs to be allowed the credit. The taxpayer multiplies the qualified investment by the New Jobs Factor equal to ½ of 1 percent for each 5 new jobs (i.e., for the minimum of 5 jobs, the credit would be 2½ of the investment; if the investment were $10,000, the credit would only be $250), up to 10 percent for 100. A taxpayer that is not a small business must create a minimum of 50 new jobs. For these taxpayers, the factor equals ½ of 1 percent for each 50 new jobs, up to 10 percent for 1,000. The taxpayer takes the credit in equal installments over a 5-year period. The credit may not exceed 50 percent of the corporation's business tax liability and cannot reduce it below the minimum tax. If the credit exceeds liability, the taxpayer may claim a refund. They may not carry over the credit. The law provides a recapture for the credit.

Manufacturing Equipment and Employment Investment Credit

New Jersey also provides a credit for businesses that invest in qualified manufacturing equipment in tax years beginning on or after January 1, 1994. The purpose of the credit is to encourage investment in certain manufacturing equipment in New Jersey, and to provide an incentive to increase employment of New Jersey residents at locations in

New Jersey. Taxpayers compute the Employment Investment portion of the credit for each of the two tax years following the year a credit is allowed for equipment investment. It is based on the increase in employment of employees domiciled in New Jersey, subject to a limitation based on the cost of the equipment investment. The Employment Investment portion of the credit remains valid for each of the two tax years next succeeding the tax year for which the Manufacturing Equipment portion is allowed. It is limited to 3 percent of the net cost of qualified equipment, not to exceed a maximum allowed amount of $1,000 multiplied by the increase in the average number of qualified employees and/or employee equivalents.[5] Equipment acquired by a member of a controlled group from another member of the same group by written lease qualifies for the credit. The law allows a credit carry over of seven tax years following a credit's tax year. The law provides a recapture of the credit.

Ohio

Credit for Investment in Manufacturing Property

Ohio provides a franchise tax credit equal to 25 percent of the timely paid personal property taxes assessed on engines, machinery, tools and implements owned by the taxpayer in Ohio and used in manufacturing or refining. The taxpayer must have acquired the property after January 1, 1978. The taxpayer may carry forward credits for three years. A limited refundable credit was available for the 1994 tax year.

Credit for Investment in New Machinery and Equipment for Manufacturing

Ohio also allows a nonrefundable credit equal to 20 percent of the cost of new manufacturing machinery and equipment purchased during the 18 month period from January 1, 1995 through June 30, 1996 that is located in Ohio and used in manufacturing or refining. A taxpayer's cumulative cost of the new machinery or equipment, when added to the cumulative cost of any other such machinery or equipment purchased, must equal or exceed 20 percent of the aggregate cost of all tangible personal property located in the United States and owned by the taxpayer. The aggregate credit equals $500,000. Taxpayers may carry forward unused credits for three years after the last taxable year that includes any portion of the 18 month period ending June 30, 1996.

Endnotes

1. This does not include Michigan, Nevada, South Dakota, Washington and Wyoming.

2. The credit is available for income tax years beginning after 1993, but may not be claimed until the first income tax year beginning after 1994.

3. California defines a small business as a taxpayer that has gross receipts or net assets of less than $50 million or a total credit of less than $1 million during the income year for which the credit is allowed.

4. For purposes of this credit, New Jersey defines a small business taxpayer as a taxpayer with annual payroll of $2 million or less and annual gross receipts of $6 million or less.

5. A part-time employee means an employee who worked for the taxpayer for at least 20 hours per week for at least six months during the tax year. A full-time employee means an employee working for the taxpayer at least 140 hours per month at not less that the State or federal minimum wage, not including temporary or seasonal employees.

Appendix C: Survey Analysis

OTPA developed two confidential surveys to determine the influence of the ITC and EIC, including the ITC research and development component, on investment and expansion in New York. The surveys responded to questions raised by legislators during Commissioner Urbach's presentation of the 1995 Tax Expenditure Report. One survey drew on the expertise of corporate tax executives to determine their views on the effectiveness of the ITC. The second survey targeted major site consultants, including large accounting firms, to determine whether the ITC influenced their advice to executives to locate in New York.[1]

The corporate manager survey response rate exceeded 50 percent.

The first step in the study involved constructing a random sample of 150 manufacturing firms operating in New York State from a total population of 7,900. The total sample was stratified by whether or not the firm claimed or carried forward an ITC in 1991; and whether or not the firm is located in New York City. The sample did not specifically stratify by allocation because a sufficient distribution of allocators and non-allocators existed in the population of firms and the resulting random sample. Using the 1991 Article 9-A Study File, a sample of 150 taxpayers was drawn using the random selection procedure in SAS. The Study File consists of corporate tax returns filed by taxpayers and verified by the Department. Each strata of the sample was proportional to the corresponding share of the population. ITC claimants, however, are overrepresented. Thus, while ITC claimants represented only about 19 percent of the universe of manufacturing firms, the sample divides the firms equally between credit-takers and non-credit takers. This sample included taxpayers earning the R&D credit, particularly some nonmanufacturers. In addition to the 150 firms randomly selected in the above strata, we also included the 10 largest ITC users, for a total sample of 160 firms.

The following tables represent the distribution of manufacturing firms from the OTPA 1991 Study File. The tables illustrate the characteristics of the population and stratified random sample of firms.

Population of Firms

Factors for Population of Firms	Number of Firms that took the ITC	Percent of Firms that took the ITC	Number of Firms that did not take the ITC	Percent of Firms that did not take the ITC	Grand Total
New York City	309	20.1	3,043	47.6	3,352
Upstate	1,227	79.9	3,346	52.4	4,573
Total	1,536	100	6,389	100	7,925
Allocates Income	1,111	72.3	3,281	51.4	4,392
Did not Allocate Income	425	27.7	3,108	48.6	3,533
Total	1,536	100	6,389	100	7,925

Population of Firms — ITC

Factors for Population of Firms	Number	Percent
Claimed the ITC	1536	19.4
Did not Claim the ITC	6389	80.6
Total	7925	100

Population of Firms — Business Location

Factors for Population of Firms	Number	Percent
New York City	3352	42.3
Upstate	4573	57.7
Total	7925	100

Population of Firms — Allocators/Nonallocators

Factors for Population of Firms	Number	Percent
Allocated Income	4392	55.4
Did not Allocate Income	3533	44.6
Total	7925	100

Stratified Random Sample of 150 Firms

Factors for Stratified Random Sample of Firms	Number of Firms that took the ITC	Percent of Firms that took the ITC	Number of Firms that did not take the ITC	Percent of Firms that did not take the ITC	Grand Total
New York City	25	33.3	38	50.7	63
Upstate	50	66.7	37	49.3	87
Total	75	100	75	1000	150
Allocates Income	61	81.3	38	50.7	99
Did not Allocate Income	14	18.7	37	49.3	51
Total	75	100	75	100	150

Stratified Random Sample of 150 Firms — ITC

Factors for Stratified Random Sample of Firms	Number	Percent
Claimed the ITC	75	50.0
Did not Claim the ITC	75	50.0
Total	150	100

Stratified Random Sample of 150 Firms — Business Location

Factors for Stratified Random Sample of Firms	Number	Percent
New York City	63	42.0
Upstate	87	58.0
Total	150	100

Stratified Random Sample of 150 Firms — Allocators/Nonallocators

Factors for Stratified Random Sample of Firms	Number	Percent
Allocated Income	99	66.0
Did not Allocate Income	51	34.0
Total	150	100

Each of the 160 firms was telephoned to determine the appropriate contact person. A small minority, 10 firms, did not want to participate in the survey due to pressing work schedules or the expense of having to forward the survey to an accountant or other financial advisor. Of this minority, some were no longer doing business in New York, or had limited activity in New York which would not qualify for the ITC. The survey was mailed to the remaining 150 firms with a cover letter. The material included a self-addressed stamped envelope to expedite responses. The participants were given one month to reply. Follow-up telephone calls were made to those not responding by the original due date. A third contact was initiated after establishing a second due date. A total of 77 corporate managers responded to the survey, exceeding a 50 percent return rate. OTPA developed an informational package on the ITC and EIC for those respondents who were unaware of the ITC. The statistical results were tabulated using LOTUS Approach, a relational database application. This program allowed the bringing together of data from separate databases.

Site Consultant Survey

The site consultant survey comprised 19 participants. The participant list included large accounting and consulting firms advising clients on business locational decisions. This survey, like the corporate manager survey, included a self-addressed stamped envelope to facilitate responses. The respondents had one month to complete the survey. A follow-up telephone call was made to each of those who did not respond by the original due date. The response rate to this survey was nearly 60 percent. The statistical results also were tabulated using LOTUS Approach database application.

The surveys, with accompanying cover letters, follow. Each survey includes statistical results.

August 14, 1995

Dear :

We are interested in finding out what you and your company's managers think of the New York State Investment Tax Credit (ITC).

As you may know, the ITC was first implemented over 25 years ago. It is designed to create an incentive for manufacturers to locate plants and hire employees here in New York. But does the credit really work? Is it worth the cost? Would other policy changes do more to spur investment? These types of questions were posed to me when I testified a few months ago at a joint hearing of the State Legislature's fiscal committees. In response, I committed the Department to conducting a research study on the effectiveness of the ITC.

As part of this study, your company has been chosen from a representative sample of New York State businesses to participate in a confidential corporate manager survey. The survey results should tell us something about the ITC's role in manufacturing location and investment decisions. We hope it also tells you something about this Department's commitment to taking account of business opinions concerning policies that affect the business climate.

Your responses will be held in strictest confidence. The data collected will be used only in combination with those of other respondents for statistical purposes. There will be no tracking, reporting or other use of individual responses to this questionnaire. Filling out this survey will not increase your likelihood of audits, enforcement action or scrutiny of any kind by the Department of Taxation and Finance.

Please return the completed survey in the enclosed self-addressed stamped envelope. If you have any questions, please contact Deputy Commissioner Edmund McMahon in our office of Tax Policy Analysis at 518-457-4357. We would like to receive all survey replies by September 15, 1995. Thank you for your cooperation and assistance.

Very truly yours,

Michael H. Urbach
Commissioner

New York State Department of Taxation and Finance
Office of Tax Policy Analysis

Corporate Managers Survey [2]

Please take a few minutes to complete this survey. Your responses will assist us in our study of the effectiveness of the investment tax credit (ITC). Where relevant, questions relating to the ITC apply to all of its components, including manufacturing-type property, research and development property, industrial waste treatment facilities, air pollution control facilities, and the employment incentive credit (EIC).

Name and position of person completing the survey: ________________________________
Telephone number: (____)_____________________________

General Business Activity

1. Did your business:

 _67_ Originate in New York.
 _8_ Relocate or expand into New York from another state / country.

2. Approximately how much of the total book value of your company's New York State production equipment or property is leased and how much is owned?
(Please give only a rough estimate.) (The results of the breakdown of property owned and leased follows.)

Number of Taxpayers Owning Property (The taxpayer leases the remaining property for each category.)

Proportion leased:	_____	-5 own 25% or less
Proportion owned:	_____	-2 own 26% - 50%
Other (explain):	_____	-2 own 51% - 75%
		-19 own 76% - 99%
		-40 own 100%

The Investment Tax Credit/Employment Incentive Credit

3. Has your company ever claimed the ITC?

 _47_ Yes.
What year was the credit first claimed?______

What types of qualified property have been included in the investment credit base over the past ten years?

 _28_ No. Why not?
(Please check all that apply.)
 _5_ Property not in qualified use
 _1_ Property leased, but would otherwise qualify
 _7_ Unaware of credit ☐ check here if you would like ITC information sent to you

(*Please check all that apply*.)
 44 Manufacturing-type property
 12 Research and development property
 7 Industrial waste treatment facilities
 7 Air pollution control facilities
 2 Credit too difficult to calculate or form too cumbersome to file
__ Qualified property expensed, rather than depreciated
__ Other -- please specify:________________

(If you have never claimed the ITC, please skip to question 7.)

4. Is your company aware that a new business that is eligible to claim an ITC may elect to receive a refund of its unused ITC instead of carrying the credit forward?

 28 Yes 19 No

If yes, has your company ever elected to receive a refund of its unused ITC?

 3 Yes __ No

5. Please check which range approximates the total cumulative, lifetime value of your company's qualified tax-preferenced (ITC) investment in New York State: *(Please give only an estimate.)*

___ Less than $100,000
___ $100,000 - $999,999
___ $1,000,000 - $4,999,999
___ $5,000,000 - $19,999,999
___ $20,000,000 - $49,999,999
___ $50,000,000 - $499,999,999
___ At least $500,000,000

(The following table summarizes the results of the lifetime cumulative value of the responding companies' qualified tax-preferenced investments.)

Lifetime Value of ITC Investments

Value (in $)	<100,000	100,000-999,999	=> 1 mill - < 5 mill	5 mill - < 20 mill	20 mill -< 50 mill	50 mill -< 500 mill	500 mill +
Number	4	14	6	9	4	5	3

6. Has your company ever claimed the EIC?

 29 Yes.
 16 No. Why has the credit not been claimed?

 5 Claimed ITC, but did not meet employment criteria

_7_ Unaware that credit existed
_2_ Credit too difficult to calculate or form too cumbersome to file
__ Other -- please specify:________________________

7. How has your company's total New York State employment changed over the past ten years?

_38_ Increased _21_ Decreased _15_ Remained the same

8. If your total New York employment has decreased, which is the most accurate description of the reason?

_11_ Production and/or sales are down.
_4_ Production and/or sales are about the same or have increased, but we have moved some work out of state.
_6_ Production and/or sales are about the same or have increased, but due to productivity increases we require fewer employees for the available work.

Investment Decisions

9. How has the ITC influenced your company's decisions to invest in plant and equipment in New York?

_1_ We would not have invested at all without the ITC.
_2_ We would have invested, but at non-New York plant.
_13_ We would have invested a smaller amount without the ITC.
_27_ The ITC has had no impact on our investment decisions.
_3_ The ITC has maintained state-of-the-art technology in our New York plants vis-a-vis other states.

10. Which *one* of the following proposals would most encourage your company to invest within New York State?

_8_ Enhancing the ITC
_3_ Allowing the ITC for leased property
_36_ Reducing the corporate tax rate
_8_ Eliminating the alternative minimum tax
_9_ Reducing energy costs

Locational Decisions

11. Has your company made any locational decisions in the past 10 years, such as where to expand or whether to relocate?

_32_ No. *(Please skip to question 13.)*
_42_ Yes. To what extent did your company consider locating in other jurisdictions?

21 A great deal
14 Somewhat
5 Not at all

12. a. If your company decided to expand within New York, what impact did the ITC have on that decision?

__ The ITC was the primary reason.
8 It was a significant factor in the decision.
13 It was a small factor in the decision.
21 It was not a factor at all in the decision.

b. If your company decided to expand outside New York, why? *(Please check all that apply)*.

10 Tax incentives in another state were better.
10 Non-tax business incentives in another state were better.
17 Non-tax cost factors in another state were better.
8 Other non-tax, non-cost factors in another state were better.
3 We did not know about the credit.
__ The credit did not apply to us.
5 The alternative minimum tax effectively curtailed the use of further ITC amounts.

13. Has your company received any communications from other jurisdictions seeking your relocation?

34 Yes 39 No

If yes, which jurisdiction(s) contacted your company? (*Please check all that apply*.)

United States	Foreign
1 California	2 Canada
__ Connecticut	__ Europe
3 Florida	2 Far East
3 Massachusetts	2 Mexico
7 New Jersey	__ Other, please specify: ___________
16 North Carolina	
5 Ohio	
8 Pennsylvania	
9 South Carolina	
5 Texas	
__ Other, please specify: ________________	

14. When deciding where to expand your business, how important would your firm consider the following factors: (The following table contains the results regarding firms' expansion factor considerations. The highest number of responses in each category is in bold type.)

Factor	Unimportant	Moderately Important	Very Important
Energy costs	1	31	**39**
Telecommunication costs	19	**39**	8
Labor costs	0	17	**53**
Skilled labor	5	13	**47**
Environmental quality	6	**41**	17
Proximity to suppliers	11	**37**	19
Proximity to market	11	**30**	27
Proximity to labor	3	28	**37**
Sunk costs	9	26	**31**
State & local taxes	1	24	**47**
ITC/EIC	3	**46**	15
Tax incentives/exemptions	3	29	**36**
Transportation infrastructure	11	**28**	26
Anti-pollution regulations	15	**37**	14
Unemployment compensation costs	5	**37**	26
Worker's compensation costs	3	32	**35**
Personal considerations	9	**35**	23
Quality of life	6	**35**	26

Notes:

-16 of the 46 respondents who claimed that the ITC was moderately important also claimed that the ITC was not a factor in their expansion decisions. (See survey question 12.)

-30 of the 46 respondents who claimed that the ITC was moderately important also claimed that it had no impact on their investment decisions. (See survey question 9.)

Of the above factors, which one would your firm consider the *most* important?

14 Labor costs
9 Proximity to market
8 State and local taxes

15. How important are these New York taxes to your company's locational decisions? (The following table

contains respondent's opinions on the importance of state taxes with respect to locational decisions. The highest number of responses in each category is in bold type.)

	Unimportant	Moderately important	Very important
Corporate franchise tax	3	32	**35**
Alternative minimum tax	7	**34**	25
Personal income tax	6	**40**	21
Sales tax	10	**34**	22
Energy taxes	11	**34**	22
Property taxes	2	22	**42**
Telecommunication taxes	18	**40**	8
Transportation taxes	15	**39**	12

16. After making the New York investments that qualified for the ITC, how did New York employment at your company change?

_20_ Increased _23_ Decreased _7_ Remained the same

17. How likely is it that, without New York's ITC, your company would have made at least some of those New York State investments outside the State?

_4_ Very likely _15_ Somewhat likely _13_ Somewhat unlikely _18_ Very unlikely

Please add any additional comments or suggestions on the use or effectiveness of the ITC.

August 14, 1995

Dear :

We are interested in finding out what you think of the New York State Investment Tax Credit (ITC).

As you may know, the ITC was first implemented over 25 years ago. It is designed to create an incentive for manufacturers to locate plants and hire employees here in New York. But does the credit really work? Is it worth the cost? Would other policy changes do more to spur investment? These types of questions were posed to me when I testified a few months ago at a joint hearing of the State Legislature's fiscal committees. In response, I committed the Department to conducting a research study on the effectiveness of the ITC.

As part of this study, your company has been chosen to participate in a confidential financial advisor survey. The survey results should tell us something about the ITC's role in manufacturing location and investment decisions. We hope it also tells you something about this Department's commitment to taking account of business opinions concerning policies that affect the business climate.

Your responses will be held in strictest confidence. The data collected will be used <u>only</u> in combination with those of other respondents for statistical purposes. There will be no tracking, reporting or other use of individual responses to this questionnaire. Filling out this survey will not increase your likelihood of audits, enforcement action or scrutiny of any kind by the Department of Taxation and Finance.

Please return the completed survey in the enclosed self-addressed stamped envelope. If you have any questions, please contact Deputy Commissioner Edmund McMahon in our office of Tax Policy Analysis at 518-457-4357. We would like to receive all survey replies by September 15, 1995. Thank you for your cooperation and assistance.

Very truly yours,

Michael H. Urbach
Commissioner

New York State Department of Taxation and Finance
Office of Tax Policy Analysis

Accountant/Financial Advisor Survey [3]

Please take a few minutes to complete this survey. Your responses will assist us in our study of the effectiveness of the investment tax credit (ITC). Where relevant, questions relating to the ITC apply to all of its components, including manufacturing-type property, research and development property, industrial waste treatment facilities, air pollution control facilities, and the employment incentive credit (EIC).

Name of person completing the survey: ______________________________
Position: ______________________________
Telephone number: (____) ______________________________

1. Is your firm regularly involved in advising clients on locational decisions?

   11 Yes   __ No

2. In what industry do your clients predominately do business?

   11 Manufacturers
   6 Financial
   6 Services
   2 Trade
   ___ Other, please specify: ______________

3. How would you describe the majority of the businesses your firm advises?

   ___ Small   5 Medium
   6 Large

4. What percentage of your clients use the ITC?

   ______% (The following table shows the percentage of clients that use the ITC.)

Number of Advisors	Percentage of Clients that Use ITC
2	0
1	2.5
1	5
2	10
1	25
1	30
1	50

Note: The overall percentage of clients using ITC of the firms polled is 14.7.

5. For those clients that use the ITC, how influential is it in your advice to companies whether to expand operations within New York State or in other jurisdictions?

 1 Very influential
 3 Somewhat influential
 3 Not at all influential

6. What is the primary type of qualified property included in the investment credit base for the majority of firms claiming the ITC? *(Please check all that apply.)*

 6 Manufacturing-type property
 3 Research and development property
 1 Industrial waste treatment facilities
 1 Air pollution control facilities

7. Why do you believe companies expand in other states/countries, despite the presence of the ITC? *(Please check all that apply.)*

 8 Incentives in other states/countries are often more valuable than the ITC.
 9 Overall tax burdens are lower elsewhere.
 8 Nontax cost factors are lower elsewhere.
 8 Other non-tax, non-cost factors were lower elsewhere.
 5 The ITC does not apply to the company.
 5 Companies relocate / expand for other reasons (not ITC-related).
___ Other, please specify________________________________

8. Of investment in New York for which the credit is claimed, how are investment decisions typically influenced by the ITC?

_1_ There would have been no investment without the ITC.
_4_ There would have been a smaller amount invested without the ITC.
_4_ The ITC has had no impact on investment decisions.

9. Have any of your clients that are start-up businesses ever elected to receive a refund of unused ITC instead of carrying the credit forward?

_2_ Yes __ No

10. When advising your clients on locational decisions, how important do you consider the following factors. (The following table shows the results of the importance of various factors. The most frequent responses in each category are in bold print):

Factors	Unimportant	Moderately Important	Very Important
Energy costs	0	**6**	5
Telecommunication costs	**5**	**5**	1
Labor costs	1	2	**8**
Skilled labor	0	2	**9**
Environmental quality	1	**9**	1
Proximity to suppliers	0	**9**	2
Proximity to market	0	4	**7**
Proximity to labor	0	2	**9**
Sunk costs	3	**5**	3
State & local taxes	0	**6**	5
ITC/EIC	**5**	**5**	1
Tax incentives/exemptions	0	**8**	3
Transportation infrastructure	0	5	**6**
Anti-pollution regulations	3	**7**	1
Unemployment compensation costs	2	**6**	3
Workers compensation costs	2	**5**	4
Personal considerations	1	**7**	3
Quality of life	0	**6**	5

Of the above factors, which one would your firm consider the *most* important?

The responses concerning costs and proximity to labor were the most frequent. Skilled labor was also ranked as very important.

11. When advising your clients on locational decisions, how important are these New York taxes?

	Unimportant	Moderately Important	Very Important
Corporate franchise tax	1	3	**5**
Alternative minimum tax	3	**5**	1
Personal income tax	0	4	**5**
Sales tax	0	**6**	3
Energy taxes	1	**5**	3
Property taxes	0	**5**	4
Telecommunication taxes	3	**6**	0
Transportation taxes	3	**6**	0

Please add any additional comments or suggestions on the use or effectiveness of the ITC.

Endnotes

1. OTPA would like to thank the Business Council of New York State and the New York State Department of Economic Development for their insightful suggestions concerning the construction of the survey questions.

2. The corporate manager survey received 77 total responses. In some cases, the respondent did not answer every question.

3. The financial advisory survey received 11 total responses. In some cases, the respondent did not answer every question.

Appendix D: Descriptions and Source of Economic Data Series, Data Methodology and Sources

Employment with Proprietors

Description: Employment by people by two-digit SIC Code
Time Period: 1969-1993
Source: Regional Economic Information System, Regional Economic Measurement Division, Bureau of Economic Analysis

Gross State Product

Description: Gross State Product (GSP) is the State counterpart of the national Gross Domestic Product. GSP is the sum of each industry's gross state product originating (GSPO). An industry's GSPO equals its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported). We have two separate datasets: 1963 to 1983, and 1977 to 1992. The earlier series, 1963-1983, uses a 1982 constant, the later series, 1977-1992, uses a 1986 constant. The datasets are not entirely comparable because of methodology changes and definition refinements. All data are in millions of dollars.

Data: These two datasets have six variables:

constant-dollar GSP (using industry-specific implicit price deflators);

current-dollar GSP;

current-dollar compensation of employees;

current-dollar proprietors' income with inventory valuation adjustment (IVA) and capital consumption allowance;

current-dollar indirect business tax and nontax liability (IBT);

current-dollar other (mainly capital-related charges)

Time Period: 1963-1983 and 1977 -1990

Source: U.S. Department of Commerce, Bureau of Economic

Analysis, Regional Economic Analysis Division

Article 9-A General Business Corporation Franchise Tax ITC Data

The data contained in Figures 1 through 7 and Tables 4 through 6 come from annual studies conducted by OTPA from 1984-1992. The study data come directly from the universe of tax returns of New York State corporations. The data does not reflect changes on audit or as the result of amended filings. Taxpayers who are eligible to take the ITC and the EIC report the amounts of these credits earned during the tax year on separate lines on tax form CT-46. However, when computing the credit claimed, used, and carried forward, the taxpayer combines the ITC and EIC on the CT-46. This study presents these combined amounts for each of the credit components.

Value of Manufacturing Shipments and Capital Expenditures 1987 - 1992

Value of shipments and other receipts

Value of shipments and other receipts generally refers to received or receivable net selling values, f.o.b plant (exclusive of freight and taxes), of all products shipped, both primary and secondary, as well as all miscellaneous receipts such as receipts for contract work performed for others, installation and repair receipts, sale of scrap, and sale of products bought and resold without further processing. Included are all items made by or for the establishment from materials owned by it whether sold, transferred to other plants of the same company, or shipped on consignment. The net selling value of products made in one plant on a contract basis from materials owned by another was reported by the plant providing the materials. In a few industries, the value of production or value of work completed is used instead of value of shipments.

In the case of multiunit companies, the manufacturer was requested to report the value of products transferred to other establishments of the same company at full economic or commercial value, i.e, including not only the direct cost of production, but also a reasonable proportion of “all other costs” (including company overhead and profit).

Expenditures for new plant and equipment

Establishments in operation and any known plants under construction were asked to report their expenditures for (a) permanent additions and major alterations to manufacturing establishments and (b) new machinery and equipment used for replacement and additions to plant capacity if they were of the type for which depreciation accounts are ordinarily maintained. These totals exclude expenditures for used plant and equipment, expenditures for land, and cost of maintenance and repairs charged as current operating expenses.

Source: 1992 Census of Manufactures, Geographic Area Series, Preliminary U.S. Summary (MC92-Sum-19P)). See also 1987 Census of Manufactures, Subject Series, General Summary: Industry, Product Class and Geographic Area Statistics, U.S. Department of Commerce (March 1991)