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New Connecticut Credits to Encourage Job Growth

To encourage job growth in the state, Connecticut Governor Jodi Rell signed into legislation three new credits in May against corporate business, personal income, and/or insurance premium taxes. These are the Small Business Job Creation Credit, the Vocational Rehabilitation Job Creation Credit, and the Angel Investor Credit.

Small Business Job Creation Credit

The Small Business Job Creation Credit is for qualified small businesses (fewer than 50 employees in Connecticut) creating new full-time jobs. Businesses qualify for the credit by creating jobs (in 2010 through 2012) for any new full-time employee who is employed at the close of the tax year, except for an owner, member, or partner in the business.

The credit is equal to \$200 per month for each new employee hired. To claim the credit, a qualified small business must submit an application to the Department of Economic and Community Development (DECD) and provide enough information for the DECD to determine the business's eligibility. New employees counted for purposes of the small business job credit cannot be counted for claiming any other credit.

A qualified small business can claim the credit for the income year in which it hires a new employee and, if eligible, the two immediately succeeding income years. Any credit not used in an income year expires and is not refundable. The credit is effective May 6, 2010 and is applicable to income years beginning on or after January 1, 2010.

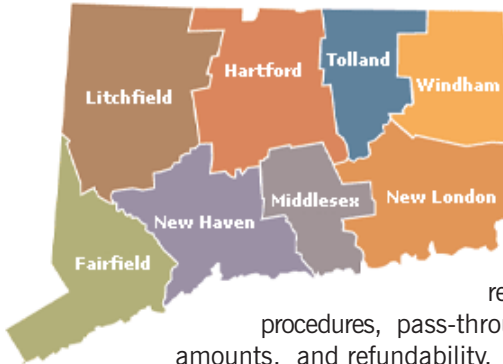


If the qualified small business is an S corporation or a partnership, the credit may be claimed by the shareholders or partners. If the qualified small business is a single member LLC, the credit may be claimed by the LLC's owner.

Vocational Rehabilitation Job Creation Credit

The Vocational Rehabilitation Job Creation Credit was created for employers who hire certain employees with disabilities. The credit is equal to \$200 per month for each new qualifying employee hired. To qualify, an employer must hire a new qualifying employee who resides in Connecticut and works at least 20 hours per week for not less than 48 weeks in a calendar year. The credit may not be claimed for any new qualifying employee who is an owner, member, or partner in the employer's business or who is not employed at the close of the employer's tax year.

(continued)



Provisions similar to those for the Small Business Job Creation Credit apply to the Vocational Rehabilitation Job Creation Credit with respect to application procedures, pass-through entities, carryover amounts, and refundability.

- have its principal place of business in Connecticut;
- have gross revenues under \$1 million in its most recent income year;
- have fewer than 25 employees, at least 75% of whom are Connecticut residents;
- have operated in Connecticut for less than seven consecutive years;
- be primarily owned by the management of the business and their families; and
- receive less than \$2 million in eligible investments from angel investors.

Angel Investor Credit

The Angel Investor Credit is a personal income tax credit for individuals who invest at least \$100,000 in eligible Connecticut start-up businesses engaged in certain new technologies. The credit is effective July 1, 2010, and applicable to tax years beginning on or after January 1, 2010,

An “angel investor” is defined as an accredited investor under Securities and Exchange Commission (SEC) rules, or a network of accredited investors, but not including:

- a person controlling 50% or more of the business receiving the investment;
- a venture capital company; or
- any bank, bank and trust company, insurance company, trust company, national bank, savings association, or building and loan association for activities that are a part of its normal course of business.

The business receiving the investment must be engaged in bioscience, advanced materials, photonics, information technology, clean technology, or another emerging technology approved by the DECD. The business must also:

A Connecticut business may apply to Connecticut Innovations, Inc. (CII), for approval as a business qualified to receive cash investments eligible for the credit.

Any angel investor that intends to make a cash investment in an eligible business may apply to CII to reserve a credit in the amount indicated by the investor. The credit is equal to 25% of the angel investor’s cash investment. The total tax credit allowed to any angel investor cannot exceed \$250,000. Unused credits may be carried forward for five years. The credit is nonrefundable and nontransferable.

If the qualified small business is an S corporation or a partnership, the credit may be claimed by the shareholders or partners. If the qualified small business is a single member LLC, the credit may be claimed by the LLC’s owner. **h**

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