

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

STATUTORY BASIS

Title 30, Delaware Code, Chapter 20, Subchapters II-III, V (More specific statutory references are also noted below).

DESCRIPTION

Generally, business taxpayers that: (1) are engaged in a qualified activity; (2) hire five or more qualified employees; and, (3) make an investment of at least \$200,000 (\$40,000 per qualified employee) in a qualified facility are entitled to tax credits against the corporation or personal income taxes, and reductions in the gross receipts and public utility taxes. To be eligible for the credits, qualified facilities must be placed in service prior to January 1, 2007. (The General Assembly periodically reviews this program's sunset date. Since its inception, the program has been endorsed and extended five times.)

CORPORATION AND PERSONAL INCOME TAX CREDITS⁷

Eligible businesses receive credits of \$400 for each qualified employee and \$400 for each \$100,000 invested. These credits may be taken during the tax year in which the qualified facility is placed in service and for any of the nine following years. The aggregate amount of credits claimed in any given year may not exceed fifty percent of the firm's tax liability. Credits may be carried forward. Facilities acquired through a purchase of assets or a corporate reorganization continue to qualify as a "qualified facility" for the purposes of the credits so long as the facility continues to meet the qualifications of investment and employment required to take the credits. Businesses that are not subject to the corporation income tax (e.g., pass through entities such as S-Corporations) are entitled to use the credits against the personal income tax.⁸

⁷ Banks are also eligible for tax credits under 5 Del. C., Chapter 11, section 1105. Banks' eligibility requirements are somewhat different, however, than for other types of qualifying businesses.

⁸ 30 Del. C., Chapter 20, section 2024

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

Larger credits are available for businesses which, in addition to meeting the Blue Collar Job Act's employment and investment requirements, engage in other desirable behaviors.

Amount of Credits for Property Placed in Service After 12/31/96			
Tax Credit	Description	Amt.	Title 30, <u>Delaware Code</u>
Blue Collar Jobs (BCJ)	Tax credit for job creation and investment in Delaware.	\$400	section 2011(a)-(b)
BCJ in a Targeted Area (Qualified Activities)	Additional incentive for businesses investing in a qualified activity in certain underdeveloped areas of the state.	\$650	section 2021(a)
BCJ in a Targeted Area (Commercial or Retail Activities)	Tax credit for businesses investing in a commercial or retail activity in certain underdeveloped areas of the state.	\$400	section 2021(b)
BCJ + "Green Industry" Recycling ⁹	Additional incentive for firms engaged in the business of removing materials from the Delaware solid waste stream.	\$650	sections 2042-2044
BCJ + Brownfield	Additional incentive for the development of an unoccupied site which is thought to have been environmentally contaminated.	\$650	section 2011(l)
BCJ + Green Industry in a Targeted Area	Additional incentives for firms engaged in the business of removing materials from the Delaware solid waste stream and operating in an underdeveloped area.	\$900	sections 2042-2044
BCJ + Brownfield in a Targeted Area	Additional incentives for investment in an unoccupied site which is thought to have been environmentally contaminated and is located in an underdeveloped area.	\$900	section 2021(d)

⁹ The Green Industries program also offers a \$400 tax credit for every 10% reduction in emissions as measured by the Toxic Release Inventory. This provision has no employment or investment requirements and, as such, is not considered an economic development tool. (See 30 Del., C. Chapter 20, section 2041.)

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

ELIGIBLE ACTIVITIES

Generally speaking, in order to qualify for tax credits, investment and employment must occur within a “qualified activity.” Another, less restrictive standard for investments made within targeted areas exists for “commercial and retail activities.”

QUALIFYING ACTIVITIES¹⁰ (Activities eligible for the \$400 Blue Collar Jobs credit in non-targeted areas and for a \$650 credit in targeted areas.)

1. Manufacturing;
2. Wholesaling;
3. Scientific, agricultural or industrial research, development or testing;
4. Computer processing or data preparation or processing services;
5. Engineering services;
6. Consumer credit reporting services, including adjustment and collection services and credit reporting services;
7. Aviation services;
8. Non-custom computer software;
9. Telecommunications services;
10. Any combination of the activities described above; or,
11. The administration, management or support operations, including marketing, of any activity described above.

COMMERCIAL & RETAIL ACTIVITIES¹¹ (Additional activities eligible for a \$400 credit within targeted census tracts)

Commercial Activity includes all services except: amusement conductor, amusement park operator, auctioneer, automobile race operator, bowling alley operator, circus exhibitor, entertainment agent, finance or small loan agency, floor show operator, health spa or health club, junk dealer, motion picture theater, outdoor music festival promoter, pawnbroker, pool table operator, public bath keeper, salvage yard operator, and self-service laundry or dry cleaner.

Retail Activity includes all retail trade except: eating and drinking places, automobile sales, or providing recreation or entertainment.

¹⁰ 30 Del. C., Chapter 20, section 2010(3)(a)-(k)

¹¹ 30 Del. C., Chapter 20, section 2020(3)-(4)

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED
INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

ALTERNATIVE INVESTMENT TAX CREDIT (No Employee Option)¹²

For qualified investments of at least \$1 million (or 15% of the adjusted basis in the facility) in manufacturing, wholesaling, or aviation services, an alternative tax credit is available. The amount of the alternative investment credit is equal to 75% of the corresponding “regular” Blue Collar Jobs tax credit. (E.g., if it had qualified for an investment that would have earned a \$400 regular BCJ credit, the alternative investment credit would be \$300 [400×0.75]). Credits under this section are limited to \$500,000 per year per taxpayer.

Alternative Investment and Employment Requirements Required for Telecommunications Services¹³ and Banking¹⁴

Instead of five employees and \$40,000 of investment per employee, telecommunication service businesses are required to hire at least 50 qualified employees and make a minimum investment of \$15,000 per qualified employee and at least \$750,000 in the qualified facility. Like other firms under the BCJ, telecommunication service businesses meeting these criteria are entitled to a \$400 tax credit for each qualified employee hired and a \$400 credit for each \$100,000 in qualified investment made.

Tax credits earned by banks are used to reduce their liability under the bank franchise tax. Like telecommunication services, banks must also increase employment by a minimum of 50 employees and make a minimum investment of \$15,000 per qualified employee. Unlike telecommunications services, however, there is no tax credit for each \$100,000 of investment. Furthermore, only full-time employees receiving health insurance benefits are counted when calculating the \$400 credit (per qualified employee).

¹² 30 Del. C., Chapter 20, section 2011(k)

¹³ 30 Del. C., Chapter 20, section 2011(b)(3)

¹⁴ 5 Del. C., Chapter 11, section 1105(d)-(f)

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

Business and Occupational Gross Receipts Tax Reductions

Businesses meeting the regular Blue Collar Jobs employment and investment qualifications are entitled to a reduction in their gross receipts tax liability attributable to the operation of a qualified (new or expanded) facility. Tax liabilities resulting out of gross receipts derived from manufacturing, wholesaling¹⁵, occupational and general services, food processing, commercial feed sales, or the retail element of aviation services may be reduced according to the following schedules:¹⁶

For Firms <u>Not</u> Operating in a Targeted Area	
Months Elapsed Since the Qualified Facility was Placed in Service	Percent Reduction in Gross Receipts Tax
1 through 12	90%
13 through 24	80%
25 through 36	70%
37 through 48	60%
49 through 60	50%
61 through 72	40%
73 through 84	30%
85 through 96	20%
97 through 108	10%
109 through 120	5%
Over 120	0%

¹⁵ Pursuant to 30 Del. C., Chapter 20, section 2012(a), petroleum wholesalers may claim reductions exclusively against the General Fund portion of the tax. Tax reductions may not be applied to the tax levied pursuant to the Hazardous Substance Cleanup Act (Chapter 91, Title 7 of the Delaware Code).

¹⁶ Firms not operating in a targeted area: (30 Del. C., Chapter 20, section 2012); Firms operating in a targeted area: (30 Del. C., Chapter 20, section 2022).

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

For Firms Operating in a Targeted Area*	
Months Elapsed Since the Qualified Facility was Placed in Service	Percent Reduction in Gross Receipts Tax
1 through 60	100%
61 through 72	90%
73 through 84	80%
85 through 96	70%
97 through 108	60%
109 through 120	50%
121 through 132	40%
133 through 144	30%
145 through 156	20%
157 through 168	10%
169 through 180	5%
Over 180	0%

* Firms engaged in “commercial and/or retail activities” that qualify for income tax credits by virtue of operating in a targeted area do not reduce their gross receipts tax payments according to the schedule above. Though they operate in a targeted area, such firms follow the general schedule found on page **172**.

As is the case with the corporate and personal income tax credits, businesses qualifying under the alternative investment standard (no employee option) are entitled to a gross receipts tax reduction equal to 75% of the amounts listed above. (E.g., if the “regular” gross receipts tax reduction was set at 60%, the amount under the alternative investment standard would be 45% [0.60 x 0.75]).

Public Utility Tax Rebates¹⁷

¹⁷ 30 Del. C., Chapter 55, section 5507

Appendix I
TAX CREDITS FOR THE CREATION OF EMPLOYMENT & QUALIFIED
INVESTMENTS IN BUSINESS FACILITIES (BLUE COLLAR JOBS ACT)

Any business that is eligible for tax credits by virtue of meeting the general BCJ employment and investment requirements is entitled to a 50% rebate of public utility taxes derived from utility consumption attributable to the qualified new or expanded facility. Eligible businesses are may claim the rebate for five years.