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| PROPOSED MASSACHUSETTS TAX EXPENDITURES EVALUATION SUMMARY  |
| EVALUATION YEAR: 2020 |

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| --- | --- |
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| **TAX EXPENDITURE TITLE** | Investment Tax Credit  |
| **TAX EXPENDITURE NUMBER** | 2.602 |
| **TAX EXPENDITURE CATEGORY** | Credit against tax *(corporate and business tax)* |
| **TAX TYPE** | Corporate excise |
| **LEGAL REFERENCE** | M.G.L. c. 63, § 31A (i), (j) |
| **YEAR ENACTED** | 1971 |
| **REPEAL/EXPIRATION DATE** | None |
| **ANNUAL REVENUE IMPACT** | Tax loss of $66.4 - $77.1 million annually during FY18-FY22 |
| **NUMBER OF TAXPAYERS**  | 2,109 – 2,363 claims per year during tax years 2015-2018 |
| **AVERAGE TAXPAYER BENEFIT** | About $23,100 - $32,900 per claim during tax years 2015-2018 |

|  |  |
| --- | --- |
| **Description of the Tax Expenditure:**Manufacturing corporations and corporations engaged primarily in research and development, agriculture or commercial fishing are allowed to take a credit of 3% of the cost of qualifying tangible property. | **Is the purpose defined in the statute?**The statute does not explicitly state the purpose of this tax expenditure. |
| **What are the policy goals of the expenditure?**DOR infers that the expenditure was intended to encourage manufacturing and R&D in Massachusetts. | **Are there other states with a similar Tax Expenditure?** Yes, DOR estimates that over 20 states have a similar expenditure**.** |

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| Conclusion/Recommendations: [To be Entered by TERC] |

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| Incentive Evaluation Results |

**INTRODUCTION**

Manufacturing corporations and corporations engaged primarily in research and development, agriculture or commercial fishing are allowed to take an investment tax credit (ITC) of 3% (for tax years ending before January 1, 1993 the rate was 1%) of the cost of qualifying tangible property. Both owners and eligible corporate lessees of property may claim the ITC. Qualifying property includes tangible personal property, real property including buildings and build-outs. It does not include motor vehicles. The property must be depreciable under Code § 167 and have a useful life of four years or more, and it must be used in Massachusetts and situated in Massachusetts on the last day of the taxable year. The maximum amount of ITC allowed in any one taxable year cannot exceed fifty percent of the excise due for the taxable year. The credit is neither transferable nor refundable. A corporation that does not use the full amount of ITC generated in a taxable year because the credit exceeded its excise for the taxable year may carry over the credit, as reduced from year to year, for three years. Any portion of ITC not used in a taxable year because of the fifty percent limitation may be carried over, as reduced from year to year, indefinitely. A portion of the credit is subject to a recapture tax if the qualifying property sold or otherwise transferred before the end of its useful life, unless the property was in qualified use for more than twelve years.

The incentive was enacted on July 1, 1971, and applied to qualifying tangible property acquired, constructed, reconstructed, or erected after December 31, 1969.

**POLICY GOALS**

The statute does not explicitly state the purpose of this tax expenditure, but we infer that it was intended to encourage manufacturing and R&D in Massachusetts.

**COSTS**

Table 1 reports revenue loss estimates for the ITC, which ranges from $66.4 to $77.1 million annually during FY18-FY22. The estimates are made based on historical claims, economic forecasts, related law changes, etc.

**Table 1. Tax Revenue Loss Estimates for ITC**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Tax Expenditure Estimate ($Million) | $66.4 | $70.5 | $72.6 | $74.8 | $77.1 |

Table 2 below shows the count and amount of available, claimed, and shared credit in the past several years. Here, available credit is the maximum amount of credit which a taxpayer can claim based on tax liability, provided there are no other restrictions; claimed credit is the credit amount which a taxpayer actually claimed; and shared credit is the credit amount used by other members of the taxpayer’s combined group.

During the tax years 2015 through 2018, the number of credits claimed or shared annually varied from 2,109 to 2,363, and the average claimed or shared amount was about $23,100 - $32,900 per year. Note that the total amount of credit claimed or shared was 13%-18% of the amount of credit available, meaning that tax filers did not have enough tax liability to take full advantage of the credit, or certain statutory limitations[[1]](#footnote-1) prevented them from doing so.

**Table 2. Count and Amount of Investment Tax Credit by Tax Year**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | 2015 | 2016 | 2017 | 2018 |
| Amount($000) | Count | Amount($000) | Count | Amount($000) | Count | Amount($000) | Count |
| Available Credit -A | $387,008 | 4,836 | $400,047 | 4,809 | $395,614 | 4,786 | $401,210 | 4,611 |
|  Claimed Credit | $46,262 | 2,288 | $44,192 | 2,222 | $54,155 | 2,138 | $61,554 | 2,019 |
| Shared Credit | $8,490 | 75 | $9,040 | 84 | $9,140 | 105 | $7,936 | 90 |
| Claimed plus Shared Credit - B | $54,752 | 2,363 | $52,232 | 2,306 | $63,295 | 2,243 | $69,491 | 2,109 |
| B/A | 14.1% | 48.9% | 13.3% | 48.0% | 16.0% | 46.9% | 17.3% | 45.7% |
| Average Claimed or Shared Amount | $23.2 | NA | $23.1 | NA | $28.2 | NA | $32.9 | NA |

Source: Massachusetts Department of Revenue.

Notes: 1. 2017 and 2018 data are preliminary and subject to change.

 2. The count is the number of claims, not the number of claimants. The number of claims is either the same as or slightly higher than the number of claimants.

 3. “NA”, not applicable.

Regardless of its size, spending on a specific tax incentive means less spending on other expenditure needs for the Commonwealth under balanced budget requirement if there is no increase in state revenues. Reduced spending on other expenditure items means forgone benefits from these items. This is an opportunity cost to the Commonwealth.

Please note that such forgone benefits include not only the impact on the businesses and their employees that directly benefit from these expenditure items (this is called “direct impact”), but also the indirect impact on the chain of businesses that provide intermediate products and services to the directly impacted businesses (this is called “indirect impact”), and the indirect impact on the chain of businesses that benefit when the employees working for the directly impacted businesses spend their wages and salaries to buy goods and services (this is called “induced impact”). The total forgone benefits to the whole economy are larger than the initial forgone benefits. This phenomenon is called the “Multiplier Effect”.[[2]](#footnote-2)

To estimate the total forgone benefits of the reduced spending on other expenditure items, we employed a renowned software tool, Tax-PI. Tax-PI is a tool for evaluating the total fiscal and economic effects of tax policy changes. Tax-PI is built on over 30 years of experience in modeling the economic effects of tax policy changes, according to MODELS: TAX-PI in the reference. The popularity of the model has grown substantially since it was introduced. Note that while the tax incentive is for a specific purpose, the reduced spending is assumed to be made according to the current composition of the Commonwealth’s expenditure.

The period of study is limited to the five years from 2018 through 2022, for which we prepared input data to run the model. Tables 3 and 4 report the model results. The figures for 2018 and 2019 are estimates of forgone benefits (opportunity costs) that the Massachusetts economy experienced due to having the expenditure, and those for 2020, 2021 and 2022 are projections of forgone benefits that the Massachusetts economy will experience going forward. The effects are displayed as negative numbers as reduced spending has a negative impact on the state economy. Tables 3 and 4 show that the reduction in state government spending due to the expenditure results in lost economic activity, with real state GDP declining by $159-$174 million and total employment declining by 1,837-1,923 jobs annually. Lost economic activity results in further loss in state revenues,[[3]](#footnote-3) ranging from $3.3 to $9.5 million annually. Note that the revenue impact reported in Table 3 does not include the estimated direct impact of the tax expenditure itself from Table 1, but only the additional indirect impact.

**Table 3. Additional Revenue Impact due to Decreased Government Spending\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Additional revenue impact ($000) | ($3,384) | ($7,444) | ($8,422) | ($9,136) | ($9,472) |

\*This table reports the lost revenues from the foregone economic activity as the state reduced government spending to finance the investment tax credit.

**Table 4. Selected Economic Impacts due to Decreased Government Spending\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Calendar Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Impact on total employment | (1,837) | (1,905) | (1,981) | (1,923) | (1,844) |
| Impact on private non-farm employment | (1,013) | (1,050) | (1,097) | (1,048) | (981) |
| Impact on GDP ($000), real dollars (2012) | ($159,000) | ($166,000) | ($174,000) | ($172,000) | ($167,000) |
| Impact on personal income ($000) | ($132,000) | ($152,000) | ($172,000) | ($180,000) | ($185,000) |

\*This table reports the lost economic activity as the state reduced government spending to finance the investment tax credit.

There are always some administrative costs for each tax incentive program. However, the administrative costs attributable to this credit should be relatively small, because the Department of Revenue administers the credit with existing staff as part of its overall mission.

**BENEFITS**

The incentive aims to reduce the costs of operating businesses, which in turn encourages the directly affected businesses to invest, expand, lower product prices, hire additional workers, etc. Such decisions would increase demand for goods and services provided by other individuals and businesses in the economy, or put another way, generate a “Multiplier Effect” (see discussion in the previous section) from the initial benefits. As a result, the total benefits of the tax credit would be larger than the initial or direct benefits. In this section, we will measure these benefits.

The credit is applied to qualifying tangible property acquired, constructed, reconstructed, or erected after December 31, 1969. Historically, the amount of the credit has fluctuated between 3% and 1% of the eligible costs incurred. Pursuant to Section 25 of Chapter 141 of the Acts of 2003, the credit amount was fixed at 3% of the eligible costs. To qualify, a corporation must be defined under Massachusetts law as a manufacturing corporation, a research and development corporation, a corporation primarily engaged in agriculture, or a corporation primarily engaged in commercial fishing.

Tables 5-7 show the number of claimants and claim amounts by income level, size of taxpayer in terms of number of employees, and industry, respectively, for the 2017 tax year.[[4]](#footnote-4) 56.4% of claimants were corporations with taxable income less than $10,000 or negative taxable income, 67.8% of claimants were corporations with employees less than 100, and 75.8% of claimants were in the industries of manufacturing and professional, scientific, & technical services.

The tax benefit per claimant averaged $29,021, varying from $11,556 for unmatched filers to $456,234 for the corporations of $10 million or higher taxable income, from $5,630 for the corporations of 5-49 employees to $134,009 for the corporations of 500 or more employees, and from $3,093 for corporations in the “Accommodation and Food Services” industry to $130,096 for corporations in the “utilities” industry. In total, claimed credit ($54 million) and shared credit ($9 million) are 77% of tax liabilities after credit ($82 million).

**Table 5. 2017 ITC Claims by Taxable Income Level**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Taxable Income Range  | Tax Liability after Credit ($000)  | Claimed Credit ($000)  | Shared Credit ($000)  | Number of Claimants | Percent of Total Number of Claimants | Tax Saving Per Claimant ($) |
|  Less than $0  | $3,041 | $4,820 | $1,314 | 480 | 22.0% | $12,778 |
|  $0 to $9,999  | $1,541 | $12,442 | $5,748 | 751 | 34.4% | $24,221 |
|  $10,000 to $99,999  | $515 | $4,226 | $330 | 152 | 7.0% | $29,970 |
|  $100,000 to $999,999  | $7,804 | $4,892 | $829 | 417 | 19.1% | $13,718 |
|  $1,000,000 to $9,999,999  | $38,012 | $15,298 | $427 | 336 | 15.4% | $46,799 |
|  $10,000,000 or more  | $31,079 | $12,282 | $493 | 28 | 1.3% | $456,234 |
|  Unmatched\*  | N.A. | $196 | - | 17 | 0.8% | $11,556 |
|  Total or average  | $81,992 | $54,155 | $9,140 | 2,181 | 100.0% | $29,021 |

Source: Department of Revenue (2017 tax return)

Notes: 1. \*Unmatched means that we could not find some taxpayers in one or more of data sets to match.

 2. The data are preliminary and subject to change

**Table 6. 2017 ITC Claims by Taxpayer Size (Number of Employees)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Employees Range  |  Tax Liability after Credit ($000)  |  Claimed Credit ($000)  |  Shared Credit ($000)  |  Number of Claimants  |  Percent of Total Number of Claimants |  Tax Saving Per Claimant ($)  |
|  Less than 5\*  | $11,533 | $11,644 | $2,324 | 262 | 12.0% | $53,311 |
|  5 to 49  | $9,752 | $4,640 | $167 | 854 | 39.2% | $5,630 |
|  50 to 99  | $6,018 | $2,271 | $86 | 361 | 16.6% | $6,530 |
|  100 to 199  | $14,012 | $5,323 | $1,971 | 286 | 13.1% | $25,502 |
|  200 to 499  | $19,254 | $8,853 | $492 | 212 | 9.7% | $44,078 |
|  500 or more  | $21,423 | $21,227 | $4,100 | 189 | 8.7% | $134,009 |
|  Unmatched\*\*  | N.A. | $196 | - | 17 | 0.8% | $11,556 |
|  Total or average  | $81,992 | $54,155 | $9,140 | 2,181 | 100.0% | $29,021 |

Source: Department of Revenue (2017 tax return)

Notes: 1. \* We relied on information taxpayers reported, but it is likely that some of them put zero for their employees though actually not zero.

 2. \*\*Unmatched means that we could not find some taxpayers in one or more of data sets to match.

 3. The data are preliminary and subject to change.

**Table 7. 2017 ITC Claims by Industry**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Industry  |  Tax Liability after Credit ($000)  |  Claimed Credit ($000)  |  Shared Credit ($000)  |  Number of Claimants  |  Percent of Total Number of Claimants |  Tax Saving Per Claimant ($)  |
|  11 Agriculture, Forestry, Fishing and Hunting  | $451 | $153 | - | 36 | 1.7% | $4,255 |
|  21 Mining, Quarrying, and Oil and Gas Extraction  | $176 | $92 | - | 6 | 0.3% | $15,403 |
|  22 Utilities  | $1,681 | $650 | - | 5 | 0.2% | $130,096 |
|  23 Construction  | $1,728 | $273 | - | 29 | 1.3% | $9,423 |
|  31-33 Manufacturing  | $49,796 | $33,034 | $3,730 | 1,399 | 64.1% | $26,279 |
|  42 Wholesale Trade  | $9,864 | $3,735 | $63 | 98 | 4.5% | $38,759 |
|  44-45 Retail Trade  | $693 | $178 | $6 | 19 | 0.9% | $9,693 |
|  48-49 Transportation and Warehousing  | $18 | $115 | $195 | 9 | 0.4% | $34,463 |
|  51 Information  | $676 | $423 | $1,115 | 53 | 2.4% | $29,005 |
|  52 Finance  | $311 | $104 | - | 10 | 0.5% | $10,401 |
|  53 Real Estate and Rental and Leasing  | $53 | $207 | - | 13 | 0.6% | $15,911 |
|  54 Professional, Scientific, and Technical Services  | $5,544 | $5,098 | $735 | 254 | 11.7% | $22,961 |
|  55 Management of Companies and Enterprises  | $650 | $3,457 | $245 | 94 | 4.3% | $39,376 |
|  56 Administrative and Support and Waste Management and Remediation Services  | $145 | $162 | - | 13 | 0.6% | $12,455 |
|  62 Health Care and Social Assistance  | $2 | $53 | - | 4 | 0.2% | $13,306 |
|  72 Accommodation and Food Services  | $90 | $12 | - | 4 | 0.2% | $3,093 |
|  81 Other Services (except Public Administration)  | $56 | $48 | - | 6 | 0.3% | $8,066 |
|  Unmatched\* or others  | $10,058 | $6,359 | $3,052 | 129 | 5.9% | $72,957 |
|  Total  | $81,992 | $54,155 | $9,140 | 2,181 | 100.0% | $29,021 |

Source: Department of Revenue (2017 tax return)

Notes: 1. \*Unmatched means that we could not find some taxpayers in one or more of data sets to match.

 2. The data are preliminary and subject to change.

As mentioned previously, the cost savings due to the ITC encourages the directly affected businesses to invest, expand, lower product prices, hire additional workers, etc., which in turn stimulates benefits in addition to the initial or direct benefits. To quantify the total impacts, including indirect/induced impacts, we employed Tax-PI. A summary of the revenue impact of the ITC is reported in Table 8, and the additional economic benefit from the credit is reflected in Table 9 below. The figures for 2018 and 2019 are estimates of benefits that the Massachusetts economy experienced and those for 2020, 2021 and 2022 are projections of the benefits that the Massachusetts economy will experience going forward. Tables 8 and 9 show that the investment tax credit results in more economic activity, with real state GDP increasing by $81-$187 million and total employment increasing by 826-1,574 jobs annually. More economic activity results in more state revenues, ranging from $1.8 to $9.0 million annually, which partially offsets the cost of this tax incentive.

**Table 8. Additional Revenue Impact of Investment Tax Credit**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Additional revenue impact ($000) | $1,814 | $4,663 | $6,481 | $7,956 | $8,989 |

**Table 9. Selected Economic Impacts of Investment Tax Credit**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Calendar Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Impact on total employment | 826 | 1,162 | 1,433 | 1,539 | 1,574 |
| Impact on private non-farm employment | 794 | 1,102 | 1,326 | 1,419 | 1,447 |
| Impact on GDP ($000), real dollars (2012) | $81,000 | $121,000 | $155,000 | $174,000 | $187,000 |
| Impact on personal income ($000) | $62,000 | $96,000 | $128,000 | $149,000 | $164,000 |

The burden of a tax does not necessarily fall on those responsible for remitting the tax. It is known through economic theories that corporate taxes change the allocation of capital between corporations and non-corporate businesses and among states because capital would flee from states of higher corporate taxes if all other considerable factors are not significantly different.

Felix (2009) finds that labor bears a significant burden from the state corporate tax in the form of lower wages. Her study further suggests that a one-percentage-point increase in the marginal state corporate tax rate reduces wages by 0.14 to 0.36%, that labor’s burden from the state corporate tax has trended upward over time due to increased global competition and increased competition among states to attract businesses, and that state corporate taxes reduce the wages of highly educated workers more than that of less-educated workers. Even though the exact amount of effect on wages may vary by researchers, the logic of the effect is broadly shared. The investment tax credit is an important incentive that contributes to lower effective corporate and business tax rates. Hence, the findings imply that the investment tax credit may have benefited workers who were employed by the corporations in the form of higher wages and benefited the shareholders of the corporations. The incentive may have further benefited the shareholders and employees due to the growth of businesses.

**EVALUATION: COMPARING COSTS AND BENEFITS**

If we don’t consider the opportunity cost of the tax incentive, total benefits are greater than costs as long as the administrative costs are not large enough to offset the benefits. Considering the opportunity cost means asking what benefits would occur if the Commonwealth used the tax incentive for other purposes. There can be numerous other purposes and examining them is beyond the scope of the current evaluation report. Nonetheless, we report net additional impacts of the tax incentive in Tables 10 and 11 below under the balanced budget requirement, which are the combined effects in Tables 3, 4, 8, and 9. Tables 10 and 11 show that the investment tax credit combined with a cut in state government spending of the same amount results in less net economic activity in earlier years but more in later years, with real state GDP decreasing by $78 million in 2018 but increasing by $20 million in 2022. The net impact on total employment is negative with total employment decreasing by 270-1,011 jobs annually. The impact on state revenues is also negative, ranging from decreasing by $0.5 million to decreasing by $2.8 million annually.

Because the current tax incentive has its own specific purpose, the net negative impacts do not necessarily imply that the tax incentive is not desirable.

**Table 10. Net Additional Revenue Impact of Investment Tax Credit\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fiscal Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Net additional revenue impact ($000) | ($1,570) | ($2,781) | ($1,941) | ($1,180) | ($483) |

\* assuming the state government spending is cut by the same amount as the investment tax credit to balance budget.

**Table 11. Selected Net Economic Impacts of Investment Tax Credit\***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Calendar Year | 2018 | 2019 | 2020 | 2021 | 2022 |
| Impact on total employment | (1,011) | (743) | (548) | (384) | (270) |
| Impact on private non-farm employment | (219) | 52 | 229 | 371 | 466 |
| Impact on GDP ($000), real dollars (2012) | ($78,000) | ($45,000) | ($19,000) | $2,000 | $20,000 |
| Impact on personal income ($000) | ($70,000) | ($56,000) | ($44,000) | ($31,000) | ($21,000) |

\* assuming the state government spending is cut by the same amount as the investment tax credit to balance budget.

There are other costs and benefits that are hard to quantify because of data and time limitations. Ihlanfeldt and Sjoquist (2001), a published study for the state of Georgia, summarizes some of these costs and benefits as follows:

*Loss of competitiveness.* Providing tax credits to selected firms may diminish the competitiveness for existing similar firms.

*Compliance costs.* They think that the costs to the firm may be substantial.

*Improved business climate.* Tax incentive may improve the perception of the business climate in the state and is used by site location specialists in screening alternative sites.

*Synergistic or clustering effects.* Tax incentive may attract a firm in an industry new to the state, which then serves as a magnet for attracting additional firms in the industry.

The investment tax credit is a popular tax incentive for these and other social benefits, similar to the Economic Development Incentive Program (EDIP) and the research credit. It also contributes to the technological change and innovation. Technological change is an important factor of long-run productivity growth and increases in living standards. Advances in technology come from innovation, which is the process of inventing new products, improving existing products, and reducing production costs.

**Similar Tax Expenditures Offered by Other States**

DOR estimates that over 20 states have some form of ITC. A couple of examples are below:

Under section 210-B.1 of the New York Consolidated Laws, general business corporations may claim an investment tax credit (ITC) against the franchise tax imposed for the tax year during which they placed qualified tangible property in service. Qualified property includes buildings, machinery and equipment. The New York ITC is computed on the cost, or other basis of qualified tangible property. The standard rate is 5% on the first $350 million, and 4% for anything above that amount. The credit may not reduce the excise below the New York minimum excise. Any credit that is not used may be carried over for 15 years.

Vermont offers a non-refundable investment tax credit equal to 24% of the federal investment tax credit for Vermont-property investment in the following activities: rehabilitation (IRC § 47), energy (IRC § 48(a)), advanced coal products (IRC § 48(a)), and gasification products (IRC § 48B(e)). (Feldman, et al., 2019)

**IS THE INCENTIVE AS DESIGNED ACCOMPLISHING ITS PURPOSE?**

[FOR TERC TO COMPLETE]

References

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Feldman, J., Schickner, N., Stein, A., Campbell, G., & Dickerson, D. (2019, January 15). *Vermont Tax Expenditures.* Vermont: Legislative Joint Fiscal Office Vermont Department of Taxes. Retrieved from Vermont Legislative Joint Fiscal Office: https://ljfo.vermont.gov/assets/Subjects/Tax-Expenditure-Reports/2d43d0564c/2019-Tax-Expenditure-Report-FINAL-v3.pdf

Felix, R. A. (2009, Second Quarter). *Do State Corporate Income Taxes Reduce Wages?,* Economic Review, FEDERAL RESERVE BANK OF KANSAS CITY.

Ihlanfeldt, Keith R. and Sjoquist, David L. 2001, August, 'Conducting an Analysis of Georgia’s Economic Development Tax Incentive Program', *Economic Develoment Quarterly,* vol*.* 15, no. 3, pp. 217-228.

*MODELS: TAX-PI*. (n.d.). Retrieved from Regional Economic Models, Inc.: https://www.remi.com/model/tax-pi/

1. In Massachusetts, the maximum amount of certain credits claimed by a corporate excise taxpayer may not exceed 50% of the taxpayer’s tax liability. [↑](#footnote-ref-1)
2. Slide 4 of the following link provides a good illustration of “Multiplier Effect”: <https://www.ilw.com/seminars/JohnNeillCitation.pdf> [↑](#footnote-ref-2)
3. Including both tax and non-tax revenues. [↑](#footnote-ref-3)
4. Tables 5-7 show that there were 2,181 *claimants* for the credit in 2017, which is slightly lower than the 2,243 *claims* reported in Table 2. There are two reasons for this difference. First, for combined reporting corporate tax filers, the data sets for credits include only the parent corporation’s identification number. So, we were not able to match with other data sets that include information on employees, NAICS codes, etc. at the subsidiary company level. Second, there were rare cases in which a claimant had more than one claim. For example, some taxpayers within a combined group may have taken part of the available credit and shared the remainder with other members (all claims are counted under the name of the parent corporation). [↑](#footnote-ref-4)