



New Hampshire
Economic Development

Economic Revitalization Zone (ERZ) Program

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What is an ERZ?

- Purpose: to stimulate economic redevelopment, expand the commercial and industrial base, create new jobs, reduce sprawl and increase tax revenues by encouraging economic revitalization.
- Business tax credits for projects that improve infrastructure and create jobs in designated areas. (See RSA 162-N)



Economic Revitalization Zone (ERZ) Program

- One of the most important tools for statewide recruitment and business retention is the ERZ.
- Provides \$825,000 for tax credits to help recruit and retain businesses and employees.
- An applicant may be eligible for up to \$240,000 in tax credits for a project, (40,000 limit per year over 6 yrs.).
- Tax Credits are awarded to qualifying applicants with a prorated distribution.

ERZ Benefits

- Designates areas to promote investment, recruitment and job creation.
- Helps the tax base by creating an incentive for a business to invest in and grow its business and to improve its commercial and/or industrial property.
- Creates new jobs which helps to foster growth of the economic activity in the area.
- The incentive increases as the wage levels increase.

Definition of an ERZ

- Unused or underutilized industrial park.
- Vacant land or structure(s) previously used for industrial, commercial or retail purposes but currently not so used (including vacant space in a multi-tenant property).

What is the process?

- ER Zones must be established/decided on by a town or municipality.
- Applications must be submitted by the town with all required documentation to support criteria has been met.
- Once approved, businesses may apply for tax credits based on projects in these designated areas.

ERZ Community Overview

- A community must apply to DBEA for designation of a proposed ERZ area.
- Currently, there 67 towns and 209 designated zones.
- There is no economic cost or tax burden to a community for implementing an ERZ.
- ERZs will be reviewed every five years for eligibility.

ERZ Business Overview

Eligible Projects = Investment + Job Creation

- New construction, renovation, or expansion
- Existing vacant building or multi-tenant space
- New equipment
- Existing businesses in the ERZ
- Must have new, incremental FT job creation (at least 35 hours/week and is a permanent, year-round position)

How to use the tax credit

- The ERZ Tax Credit is applied against the NH Business Profits Tax.
- Unused portions may be applied under the NH Business Enterprise Tax.
- The maximum tax credit per project is \$240,000 and may be maxed out at \$40,000 per year.
- Unused portions of the credit in excess of \$40,000 may be carried forward for an additional 5 years.
- Application deadline for the ERZ credit is February 10 following the applicant's tax year.

Example: How to use the credit

A company receives a \$100,000 ERZ tax credit for tax year 2015: The company can use up to \$40,000 for tax year 2015, and then carry forward \$60,000. Here's an example of how to use the carry forward:

- \$40,000 for tax year 2017
- \$10,000 for tax year 2018
- \$5,000 for tax year 2019
- \$5,000 for tax year 2020

How to calculate part 1 of the tax credit

Either 4, 5, or 6 percent of the yearly wages for every full-time position:

- 4% for wages up to 1.75 times the minimum wage (jobs that pay less than or equal to \$12.69/hr.)
- 5% for wages between 1.75 times and 2.5 times the minimum wage (jobs that pay more than \$12.69/hr. and less than or equal to \$18.13/hr.)
- 6% for wages greater than 2.5 times the minimum wage. (jobs that pay more than \$18.13/hr.)

How to calculate part 2 of tax credit

- 4 Percent of whatever is lower of the following:
 - The actual cost incurred in the fiscal year of creating or renovating a facility and expenditures
 - or:
 - \$20,000 for each new job created in the fiscal year

Example of ERZ Tax Credit Calculation

- A company leases space and hires 5 new employees in 2015 all at \$24.00 per hour (approximately \$50,000 per year). The company spends \$80,000 in renovations and new equipment.
 - Part I
 - $\$50,000 \times 6\% = \$3,000 \times 5 \text{ New Jobs} = \$15,000$
 - Part II
 - 4% of the lesser of the following:
 - $\$20,000 \times 5 = \$100,000 \times 4\% = \$4,000$
 - or $\$80,000 \times 4\% = \$3,200$
 - Total Credit = \$18,200



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