



***An Act Concerning Urban And Industrial Site Reinvestment.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (a) As used in this section:

2 (1) "Commissioner" means the Commissioner of Economic and  
3 Community Development.

4 (2) "Eligible industrial site investment project" means an investment  
5 made in real property, or in improvements to real property, located  
6 within this state: (A) (i) That has been subject to a "spill", as defined in  
7 section 22a-452c of the general statutes, (ii) is an "establishment", as  
8 defined in subdivision (3) of section 22a-134 of the general statutes, as  
9 amended, or (iii) is a "facility", as defined in 42 USC 9601(9); (B) that, if  
10 remediated, renovated or demolished in accordance with applicable  
11 law and regulations and used for business purposes, may add  
12 significant new economic activity and employment in the municipality  
13 in which the investment is to be made, and may generate additional  
14 tax revenues to the state; (C) for which the use of the urban and  
15 industrial site reinvestment program may be necessary to attract  
16 private investment to the project; and (D) the business use of which is  
17 economically viable and generates direct and indirect economic  
18 benefits to the state that exceeds the amount of the investment during  
19 the period for which the tax credits granted pursuant to this act are  
20 granted.

21 (3) "Eligible urban reinvestment project" means an investment: (A)  
22 That adds significant new economic activity and new jobs in a new  
23 facility in the eligible municipality in which the investment is to be  
24 made, and may generate significant additional tax revenues to the state  
25 or the municipality; (B) for which the use of the urban and industrial  
26 site reinvestment program may be necessary to attract private  
27 investment to an eligible municipality; (C) that is economically viable;  
28 (D) for which the direct and indirect economic benefits to the state  
29 outweigh the costs of the investment; and (E) that is consistent with the  
30 strategic economic development priorities of the state and the  
31 municipality.

32 (4) "Related person" means: (A) A corporation, limited liability  
33 company, partnership, association or trust controlled by the taxpayer;  
34 (B) an individual, corporation, limited liability company, partnership,  
35 association or trust that is in control of the taxpayer; (C) a corporation,  
36 limited liability company, partnership, association or trust controlled  
37 by an individual, corporation, limited liability company, partnership,  
38 association or trust that is in control of the taxpayer; or (D) a member  
39 of the same controlled group as the taxpayer. For purposes of this  
40 section, "control", with respect to a corporation, means ownership,  
41 directly or indirectly, of stock possessing fifty per cent or more of the  
42 total combined voting power of all classes of the stock of such  
43 corporation entitled to vote. "Control", with respect to a trust, means  
44 ownership, directly or indirectly, of fifty per cent or more of the  
45 beneficial interest in the principal or income of such trust. The  
46 ownership of stock in a corporation, of a capital or profits interest in a  
47 partnership or association or of a beneficial interest in a trust shall be  
48 determined in accordance with the rules for constructive ownership of  
49 stock provided in Section 267(c) of the Internal Revenue Code of 1986,  
50 or any subsequent corresponding internal revenue code of the United  
51 States, as from time to time amended, other than paragraph (3) of such  
52 section.

53 (5) "Investment" means all amounts invested in a project by a  
54 taxpayer.

55 (6) "Income year" means (A) with respect to corporations subject to  
56 taxation under chapter 208 of the general statutes, the income year as  
57 determined under said chapter 208, and (B) with respect to insurance  
58 companies, hospital and medical services corporations subject to  
59 taxation under chapter 207 of the general statutes, the income year as  
60 determined under said chapter 207.

61 (7) "Taxpayer" means any person, as defined in section 12-1 of the  
62 general statutes, whether or not subject to any taxes levied by this  
63 state.

64 (8) "New job" means a job that did not exist in the business of a  
65 subject business in this state prior to the subject business' application  
66 to the commissioner for an eligibility certificate under this section for a  
67 new facility and that is filled by a new employee, but does not mean a  
68 job created when an employee is shifted from an existing location of  
69 the subject business in this state to a new facility.

70 (9) "New employee" means a person hired by a subject business to  
71 fill a position for a new job or a person shifted from an existing  
72 location of the subject business outside this state to a new facility in  
73 this state, provided (A) in no case shall the total number of new  
74 employees allowed for purposes of this credit exceed the total increase  
75 in the taxpayer's employment in this state, which increase shall be the  
76 difference between (i) the number of employees employed by the  
77 subject business in this state at the time of application for an eligibility  
78 certificate to the commissioner plus the number of new employees  
79 who would be eligible for inclusion under the credit allowed under  
80 this section without regard to this calculation, and (ii) the highest  
81 number of employees employed by the subject business in this state in  
82 the year preceding the subject business' application for an eligibility  
83 certificate to the commissioner, and (B) a person shall be deemed to be  
84 a "new employee" only if such person's duties in connection with the  
85 operation of the facility are on a regular, full-time, or equivalent  
86 thereof, and permanent basis.

87 (10) "New facility" means a facility which (A) is acquired by, leased  
88 to, or constructed by, a subject business on or after the date of the  
89 subject business' application to the commissioner for an eligibility  
90 certificate under this section, unless, upon application of the subject  
91 business and upon good and sufficient cause shown, the commissioner  
92 waives the requirement that such activity take place after the  
93 application, and (B) was not in service or use during the one-year  
94 period immediately prior to the date of the subject business'  
95 application to the commissioner for an eligibility certificate under this  
96 section, unless upon application of the subject business and upon good  
97 and sufficient cause shown, the commissioner consents to waiving the  
98 one-year period.

99 (11) "Eligible municipality" means (A) a municipality with an area  
100 designated as an enterprise zone pursuant to section 32-70 of the  
101 general statutes, (B) a distressed municipality, as defined in subsection  
102 (b) of section 32-9p of the general statutes, or (C) a municipality that  
103 has a population in excess of one hundred thousand.

104 (12) "Cluster" means three or more subject businesses in the state  
105 that are involved in interrelated businesses and that are located in  
106 close proximity to each other relative to the need for interaction of the  
107 subject businesses.

108 (13) "Eligible project" means an eligible urban reinvestment project  
109 or an eligible industrial site investment project or both.

110 (14) "Approved investment" means an investment approved by the  
111 commissioner under subsection (f) of this section.

112 (15) "Recapture amount" means the amount by which the approved  
113 investment exceeds the amount of state revenue generated by the  
114 approved investment.

115 (16) "Pro rata share" means the percentage of the amount invested  
116 by an individual investor in an approved investment bears to the total  
117 amount of the approved investment actually invested in the project, or

118 in the case of a taxpayer to whom credits are transferred under this  
119 section, the percentage of the amount of credits transferred bears to the  
120 total amount of the approved investment actually invested in the  
121 project.

122 (b) There is established an urban and industrial site reinvestment  
123 program under which taxpayers who invest in eligible urban  
124 reinvestment projects or eligible industrial site investment projects  
125 may be allowed a credit against the tax imposed under chapter 207 or  
126 208 of the general statutes or section 38a-743 of the general statutes, or  
127 a combination of said taxes, in an amount equal to the percentage of  
128 their investment determined in accordance with subsection (i) of this  
129 section.

130 (c) No project shall be deemed an eligible project unless such project  
131 shall, in the judgment of the commissioner, be of sufficient size to  
132 generate a substantial return to the state economy.

133 (d) Any taxpayer wishing to make an investment under the  
134 provisions of this section shall apply to the commissioner in  
135 accordance with the provisions of this section. The application shall  
136 contain sufficient information to establish that the investment is an  
137 eligible industrial site investment project or an urban reinvestment  
138 project, as appropriate, concerning the type of investment proposed to  
139 be made, its location, the number of jobs to be created or retained,  
140 physical infrastructure that might be created or preserved, feasibility  
141 studies or business plans for the investment, projected revenue the  
142 state might derive as a result of the investment and other information  
143 necessary to demonstrate the financial viability of the investment and  
144 to demonstrate that the investment will provide net benefits to the  
145 economy of, and employment for citizens of, the municipality and the  
146 state. The commissioner shall impose a fee for such application as the  
147 commissioner deems appropriate.

148 (e) (1) The commissioner shall determine whether the proposed  
149 investment is an eligible urban reinvestment project or an eligible

150 industrial site investment project, whether the investment is  
151 economically viable only with use of the urban and industrial site  
152 reinvestment program, the effects of the project on the municipality  
153 where the investment will be made and whether the project would  
154 provide a net benefit to economic development and employment  
155 opportunities in the state. The commissioner may require the taxpayer  
156 to submit such additional information as may be necessary to evaluate  
157 the application.

158 (2) The commissioner shall prepare a revenue impact assessment  
159 that estimates the state and local revenue that would be generated as a  
160 result of the investment. The commissioner may prepare an economic  
161 feasibility study relative to such investment. The commissioner may  
162 retain any such persons as the commissioner deems appropriate to  
163 conduct such revenue impact assessment or economic feasibility study.

164 (f) (1) The commissioner, upon consideration of the application, the  
165 revenue impact assessment and any additional information that the  
166 commissioner requires concerning a proposed investment, may  
167 approve an investment only if the commissioner concludes that the  
168 investment is an eligible urban reinvestment project or an eligible  
169 industrial site investment project. The commissioner shall approve the  
170 application if the taxpayer has demonstrated eligibility. If the  
171 commissioner rejects an application, the commissioner shall  
172 specifically identify the defects in the application and specifically  
173 explain the reasons for the rejection. The commissioner shall render a  
174 decision on an application not later than sixty days from its receipt.  
175 Failure to render a decision within sixty days shall be deemed an  
176 approval of the application. The amount of the investment so  
177 approved shall not exceed the amount of state revenue, reduced by  
178 any tax credits, that will be generated pursuant to the revenue impact  
179 assessment prepared under this subsection.

180 (2) The approval of an investment by the commissioner may be  
181 combined with the exercise of any of the commissioner's other powers,  
182 including, but not limited to, the provision of other forms of financial

183 assistance.

184 (3) Upon approving an investment, the commissioner may require  
185 the applicant to reimburse the commissioner for all or any part of the  
186 cost of any revenue impact assessment used in reviewing the  
187 application.

188 (g) Upon approving an investment, the commissioner shall issue a  
189 certificate of eligibility certifying that the applicant has complied with  
190 the provisions of this section.

191 (h) (1) There shall be allowed as a credit against the tax imposed  
192 under chapter 207 or 208 of the general statutes or section 38a-743 of  
193 the general statutes an amount equal to the following percentage of the  
194 moneys of the taxpayer invested in an eligible urban investment or  
195 eligible industrial site investment approved by the commissioner with  
196 respect to the following income years of the taxpayer: (A) With respect  
197 to the income year in which the investment in the eligible urban  
198 reinvestment project or eligible industrial site investment project was  
199 made and the two next succeeding income years, zero per cent; (B)  
200 with respect to the third full income year succeeding the year in which  
201 the investment in the eligible urban reinvestment project or eligible  
202 industrial site investment project was made and the three next  
203 succeeding income years, ten per cent; (C) with respect to the seventh  
204 full income year succeeding the year in which the investment in the  
205 eligible urban reinvestment project or eligible industrial site  
206 investment project was made and the next two succeeding years,  
207 twenty per cent. The sum of all tax credits granted pursuant to the  
208 provisions of this section shall not exceed fifty million dollars with  
209 respect to a single eligible urban reinvestment project or a single  
210 eligible industrial site investment project approved by the  
211 commissioner.

212 (2) Notwithstanding the provisions of subdivision (1) of this  
213 subsection, any applicant may, at the time of application, apply to the  
214 commissioner for a credit that exceeds the limitations established by

215 this subsection. The commissioner shall evaluate the benefits of such  
216 application and make recommendations to the General Assembly if  
217 said commissioner determines that the proposal would be of economic  
218 benefit to the state.

219 (3) Notwithstanding the provisions of subdivision (1) of this  
220 subsection, in any case in which, upon consideration of an application  
221 for approval of an investment or upon consideration of the  
222 reinstatement of a certificate of eligibility under subsection (p) of this  
223 section, the commissioner determines that the state revenue generated  
224 by the investment shall not exceed the amount of the investment, the  
225 commissioner may approve a grant of credits on a different schedule  
226 or of a different amount than that set forth in said subdivision (1),  
227 provided in no case shall the amount of such credits exceed the  
228 amount of state revenue the commissioner determines will be  
229 generated by such investment.

230 (i) The credits allowed by this section may be claimed by a taxpayer  
231 who has made an investment directly only if such investment has a  
232 total asset value of not less than twenty million dollars.

233 (j) Each taxpayer claiming the credit allowed under this section shall  
234 submit to the Commissioner of Revenue Services a copy of the  
235 eligibility certificate issued under subsection (h) of this section with its  
236 tax return for each taxable year for which a credit is claimed.

237 (k) (1) The Commissioner of Revenue Services may treat one or  
238 more corporations that are properly included in a combined  
239 corporation business tax return under section 12-223a of the general  
240 statutes as one taxpayer in determining whether the appropriate  
241 requirements under this section are met. Where corporations are  
242 treated as one taxpayer for purposes of this subsection, then the credit  
243 shall be allowed only against the amount of the combined tax for all  
244 corporations properly included in a combined return that, under the  
245 provisions of subdivision (2) of this subsection, is attributable to the  
246 corporations treated as one taxpayer.

247 (2) The amount of the combined tax for all corporations properly  
248 included in a combined corporation business tax return that is  
249 attributable to the corporations that are treated as one taxpayer under  
250 the provisions of this subsection shall be in the same ratio to such  
251 combined tax that the net income apportioned to this state of each  
252 corporation treated as one taxpayer bears to the net income  
253 apportioned to this state, in the aggregate, of all corporations included  
254 in such combined return. Solely for the purposes of computing such  
255 ratio, any net loss apportioned to this state by a corporation treated as  
256 one taxpayer or by a corporation included in such combined return  
257 shall be disregarded.

258 (l) Any taxpayer allowed a credit under this section may assign such  
259 credit to another person, provided such person may claim such credit  
260 only with respect to a calendar year for which the assigning taxpayer  
261 would have been eligible to claim such credit. The taxpayer shall file  
262 with the Commissioner of Revenue Services information requested by  
263 the commissioner regarding such assignments, including, but not  
264 limited to, the current holders of credits as of the end of the preceding  
265 calendar year.

266 (m) No taxpayer shall be eligible for a credit under (1) this section,  
267 and (2) section 12-217e or 38a-88a of the general statutes, for the same  
268 investment. No two taxpayers shall be eligible for any tax credit with  
269 respect to the same investment, employee or facility.

270 (n) Any credit not used in the income year for which it was allowed  
271 may be carried forward for the five immediately succeeding income  
272 years until the full credit has been allowed.

273 (o) Any tax credits approved under this section that would  
274 constitute in excess of fifteen million dollars in total for a single  
275 investment shall be submitted to the General Assembly for approval. If  
276 such submission is not disapproved by the House of Representatives  
277 or the Senate, or both, within thirty days of the submission date, such  
278 credits shall be deemed approved.

279 (p) Not later than July first in each year that credits allowed by this  
280 section are claimed by a taxpayer with respect to an approved  
281 investment, the commissioner may retain such persons as said  
282 commissioner may deem appropriate to conduct a study to estimate  
283 the state revenue that is being and will be generated by such  
284 investment. Such economic impact study shall determine whether the  
285 state revenue actually generated by such investment is equal to the  
286 estimate of state revenue made at the time such investment was  
287 approved. If the sum of all state revenue actually generated by such  
288 investment is less than the amount of the total sum of tax credits  
289 claimed on the date of such analysis, the commissioner may determine  
290 from the person retained pursuant to this subsection the applicable  
291 recapture amount and may revoke the certificate of eligibility issued  
292 under subsection (g) of this section. The commissioner may require the  
293 taxpayer or the fund manager that made such approved investment to  
294 reimburse the commissioner for all or any part of the cost of any  
295 economic impact study performed under this subsection.

296 (q) (1) Any taxpayer which has claimed credits allowed by this  
297 section related to an investment concerning which the commissioner  
298 has revoked the certificate of eligibility issued under subsection (g) of  
299 this section, shall be required to recapture such taxpayer's pro rata  
300 share of the recapture amount as determined under the provisions of  
301 subdivision (2) of this subsection and no subsequent credit shall be  
302 allowed unless such certificate of eligibility is reinstated under the  
303 provisions of subdivision (3) of this subsection.

304 (2) If the taxpayer is required under the provisions of subdivision  
305 (1) of this subsection to recapture its pro rata share of the recapture  
306 amount during (A) the first year such credit was claimed, then ninety  
307 per cent of such share shall be recaptured on the tax return required to  
308 be filed for such year, (B) the second of such years, then sixty-five per  
309 cent of such share shall be recaptured on the tax return required to be  
310 filed for such year, (C) the third of such years, then fifty per cent of  
311 such share shall be recaptured on the tax return required to be filed for  
312 such year, (D) the fourth of such years, then thirty per cent of such

313 share shall be recaptured on the tax return required to be filed for such  
314 year, (E) the fifth of such years, then twenty per cent of such share  
315 shall be recaptured on the tax return required to be filed for such year,  
316 and (F) the sixth or subsequent of such years, then ten per cent of such  
317 share shall be recaptured on the tax return required to be filed for such  
318 year. The Commissioner of Revenue Services may recapture such share  
319 from the taxpayer who has claimed such credits. If the commissioner is  
320 unable to recapture all or part of such share from such taxpayer, the  
321 commissioner may seek to recapture such share from any taxpayer  
322 who has assigned credits in an amount at least equal to such share to  
323 another taxpayer. If the commissioner is unable to recapture all or part  
324 of such share from any such taxpayer, the commissioner may  
325 recapture such share from any fund through which the investment was  
326 made.

327 (3) If the commissioner has revoked the certificate of eligibility  
328 issued under subsection (g) of this section, such certificate of eligibility  
329 shall be reinstated by the commissioner if, upon a request made by the  
330 taxpayer who made such approved investment, an economic impact  
331 study conducted pursuant to subsection (p) of this section shall  
332 determine that the sum of all state revenue actually generated by such  
333 investment is greater than the amount of the total sum of tax credits  
334 claimed on the date of such analysis, provided no such request shall be  
335 made pursuant to this subsection during the calendar year in which  
336 such certificate was revoked. For the purpose of determining whether  
337 such certificate shall be reinstated, the commissioner shall, upon  
338 receipt of a request made under this subsection, obtain one such  
339 economic impact study per calendar year and may obtain additional  
340 such economic impact studies as the commissioner deems appropriate.

341 Sec. 2. This act shall take effect July 1, 2000.

**Statement of Legislative Commissioners:**

Changes were made throughout the bill for consistency with the general statutes and to correct errors in grammar.

**CE**    **Committee Vote:**    Yea    26    Nay    0    JFS    C/R    FIN  
**FIN**    **Committee Vote:**    Yea    40    Nay    3    JFS