



House of Representatives

General Assembly

File No. 581

February Session, 2004

House Bill No. 5245

House of Representatives, April 14, 2004

The Committee on Finance, Revenue and Bonding reported through REP. STILLMAN of the 38th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE RESEARCH AND DEVELOPMENT TAX CREDIT EXCHANGE.

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

1 Section 1. Subsection (a) of section 12-217ee of the general statutes,
2 as amended by section 1 of public act 03-120 and section 89 of public
3 act 03-1 of the June 30 special session, is repealed and the following is
4 substituted in lieu thereof (*Effective from passage and applicable to income*
5 *years commencing on or after January 1, 2002*):

6 (a) Any taxpayer that (1) is a qualified small business, (2) qualifies
7 for a credit under section 12-217j, as amended, or section 12-217n, and
8 (3) cannot take such credit in the taxable year in which the credit could
9 otherwise be taken as a result of having no tax liability under this
10 chapter may elect to carry such credit forward under this chapter or
11 may apply to the commissioner as provided in subsection (b) of this
12 section to exchange such credit with the state for a credit refund equal
13 to sixty-five per cent of the value of the credit. Any amount of credit

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	15 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill is anticipated to result in a General Fund revenue loss (greater refunds) of \$15 million per year beginning in FY 06 and each year thereafter.

The Department of Revenue Services is anticipated to issue \$15 million in refunds to approximately 55 companies in FY 04 and FY 05.

OLR BILL ANALYSIS

HB 5245

***AN ACT CONCERNING THE RESEARCH AND DEVELOPMENT
TAX CREDIT EXCHANGE*****SUMMARY:**

This bill makes permanent the eligibility for research and development (R&D) tax credit refunds for companies that pay the alternative capital base corporation tax for a year when they report no income. The refund equals 65% of the value of the credits they could not use. Current law allows refunds only for 2003 and 2004. A business qualifies for the refund if it grossed less than \$70 million in the prior year without counting transactions with a related business.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2002.

BACKGROUND***R&D Tax Credit Refunds***

The law allows businesses to refund R&D tax credits for which they are eligible but cannot use because they owe no taxes against which to apply the credits. Businesses qualify for the credits under two laws. One allows them to claim a credit when they increase R&D spending over the prior year. The credit equals 20% on the increased amount. The other law allows businesses to claim a credit against the R&D spending they can deduct from their federal income taxes. They must determine the amount according to a statutory formula.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference
Yea 26 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 42 Nay 1