



General Assembly

January Session, 2005

Raised Bill No. 1337

LCO No. 4788

04788_____CE_

Referred to Committee on Commerce

Introduced by:

(CE)

**AN ACT CONCERNING SUPPORT FOR THE UNITED STATES
SUBMARINE BASE IN NEW LONDON AND MANUFACTURING AND
DEFENSE MANUFACTURING IN THE STATE.**

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

1 Section 1. (NEW) (*Effective July 1, 2005*) (a) For the purposes
2 described in subsection (b) of this section, the State Bond Commission
3 shall have the power, from time to time, to authorize the issuance of
4 bonds of the state in one or more series and in principal amounts not
5 exceeding in the aggregate twenty-six million dollars.

6 (b) The proceeds of the sale of said bonds, to the extent of the
7 amount stated in subsection (a) of this section, shall be deposited in the
8 Defense Manufacturing and Submarine Base Fund established in
9 section 3 of this act and used in accordance with the purposes of
10 section 4 of this act.

11 (c) All provisions of section 3-20 of the general statutes, or the
12 exercise of any right or power granted thereby, which are not
13 inconsistent with the provisions of this section are hereby adopted and
14 shall apply to all bonds authorized by the State Bond Commission

15 pursuant to this section, and temporary notes in anticipation of the
16 money to be derived from the sale of any such bonds so authorized
17 may be issued in accordance with said section 3-20 and from time to
18 time renewed. Such bonds shall mature at such time or times not
19 exceeding twenty years from their respective dates as may be provided
20 in or pursuant to the resolution or resolutions of the State Bond
21 Commission authorizing such bonds. None of said bonds shall be
22 authorized except upon a finding by the State Bond Commission that
23 there has been filed with it a request for such authorization which is
24 signed by or on behalf of the Secretary of the Office of Policy and
25 Management and states such terms and conditions as said commission,
26 in its discretion, may require. Said bonds issued pursuant to this
27 section shall be general obligations of the state and the full faith and
28 credit of the state of Connecticut are pledged for the payment of the
29 principal of and interest on said bonds as the same become due, and
30 accordingly and as part of the contract of the state with the holders of
31 said bonds, appropriation of all amounts necessary for punctual
32 payment of such principal and interest is hereby made, and the State
33 Treasurer shall pay such principal and interest as the same become
34 due.

35 Sec. 2. (NEW) (*Effective July 1, 2006*) (a) For the purposes described
36 in subsection (b) of this section, the State Bond Commission shall have
37 the power, from time to time, to authorize the issuance of bonds of the
38 state in one or more series and in principal amounts not exceeding in
39 the aggregate fourteen million dollars.

40 (b) The proceeds of the sale of said bonds, to the extent of the
41 amount stated in subsection (a) of this section, shall be deposited in the
42 Defense Manufacturing and Submarine Base Fund established in
43 section 3 of this act and used in accordance with the purposes of
44 section 4 of this act.

45 (c) All provisions of section 3-20 of the general statutes, or the
46 exercise of any right or power granted thereby, which are not

47 inconsistent with the provisions of this section are hereby adopted and
48 shall apply to all bonds authorized by the State Bond Commission
49 pursuant to this section, and temporary notes in anticipation of the
50 money to be derived from the sale of any such bonds so authorized
51 may be issued in accordance with said section 3-20 and from time to
52 time renewed. Such bonds shall mature at such time or times not
53 exceeding twenty years from their respective dates as may be provided
54 in or pursuant to the resolution or resolutions of the State Bond
55 Commission authorizing such bonds. None of said bonds shall be
56 authorized except upon a finding by the State Bond Commission that
57 there has been filed with it a request for such authorization which is
58 signed by or on behalf of the Secretary of the Office of Policy and
59 Management and states such terms and conditions as said commission,
60 in its discretion, may require. Said bonds issued pursuant to this
61 section shall be general obligations of the state and the full faith and
62 credit of the state of Connecticut are pledged for the payment of the
63 principal of and interest on said bonds as the same become due, and
64 accordingly and as part of the contract of the state with the holders of
65 said bonds, appropriation of all amounts necessary for punctual
66 payment of such principal and interest is hereby made, and the State
67 Treasurer shall pay such principal and interest as the same become
68 due.

69 Sec. 3. (NEW) (*Effective July 1, 2005*) There is established, within the
70 General Fund, a separate, nonlapsing fund to be known as the
71 "Defense Manufacturing and Submarine Base Fund". The fund may
72 contain any moneys required by law to be deposited in the fund.
73 Investment earnings credited to the assets of the fund shall become
74 part of the assets of the fund. The State Treasurer shall administer the
75 fund. Any balance remaining in the fund at the end of any fiscal year
76 shall be carried forward in the fund for the next fiscal year. All moneys
77 deposited in the fund shall be used for the purposes of section 4 of this
78 act.

79 Sec. 4. (NEW) (*Effective July 1, 2005*) The Commissioner of Economic

80 and Community Development, in consultation with the Commissioner
81 of Public Works and Connecticut Innovations, Incorporated, shall use
82 the moneys in the Defense Manufacturing and Submarine Base Fund
83 established in section 3 of this act for grants to Electric Boat and the
84 United States Naval Submarine Base in New London for projects to
85 improve the economic competitiveness of Electric Boat and improve
86 the energy efficiency of Electric Boat and said submarine base. Such
87 energy efficiency projects may include, but shall not be limited to, fuel
88 cells, energy conservation measures, cogeneration plants and power
89 plants and transmission facilities. The Commissioner of Economic and
90 Community Development, in consultation with the Commissioner of
91 Public Works and Connecticut Innovations, Incorporated, shall
92 establish standards and procedures for such grants, including, but not
93 limited to, (1) application procedures, (2) criteria for such economic
94 competitiveness and energy efficiency projects, and (3) terms and
95 conditions for the awarding of such grants. The total amount of such
96 grants that may be made to Electric Boat shall not exceed thirteen
97 million dollars during the fiscal year ending June 30, 2006, and six
98 million dollars during the fiscal year ending June 30, 2007. The total
99 amount of such grants that may be made to the United States Naval
100 Submarine Base in New London shall not exceed thirteen million
101 dollars during the fiscal year ending June 30, 2006, and eight million
102 dollars during the fiscal year ending June 30, 2007.

103 Sec. 5. Subparagraph (A) of subdivision (72) of section 12-81 of the
104 general statutes is repealed and the following is substituted in lieu
105 thereof (*Effective July 1, 2005, and applicable to assessment years*
106 *commencing on or after October 1, 2005*):

107 (72) (A) Effective for assessment years commencing on or after
108 October 1, 2002, new machinery and equipment, as defined in this
109 subdivision, acquired after October 1, 1990, and newly-acquired
110 machinery and equipment, as defined in this subdivision, acquired on
111 or after July 1, 1992, by the person claiming exemption under this
112 subdivision. [provided] For any such machinery or equipment

113 acquired before July 1, 2005, this exemption shall only be applicable in
114 the five full assessment years following the assessment year in which
115 such machinery or equipment is acquired. [.] For any such machinery
116 or equipment acquired on or after July 1, 2005, this exemption shall be
117 applicable in each assessment year following the assessment year in
118 which such machinery or equipment is acquired. The exemption
119 provided in this subdivision shall be subject to the provisions of
120 subparagraph (B) of this subdivision. Machinery and equipment
121 acquired on or after July 1, 1996, and used in connection with
122 biotechnology shall qualify for the exemption under this subsection.
123 For the purposes of this subdivision: (i) "Machinery" and "equipment"
124 means tangible personal property which is installed in a
125 manufacturing facility and claimed on the owner's federal income tax
126 return as either five-year property or seven-year property, as those
127 terms are defined in Section 168(e) of the Internal Revenue Code of
128 1986, or any subsequent corresponding internal revenue code of the
129 United States, as from time to time amended, and the predominant use
130 of which is for manufacturing, processing or fabricating; for research
131 and development, including experimental or laboratory research and
132 development, design or engineering directly related to manufacturing;
133 for the significant servicing, overhauling or rebuilding of machinery
134 and equipment for industrial use or the significant overhauling or
135 rebuilding of other products on a factory basis; for measuring or
136 testing or for metal finishing; or used in the production of motion
137 pictures, video and sound recordings. "Machinery" means the basic
138 machine itself, including all of its component parts and contrivances
139 such as belts, pulleys, shafts, moving parts, operating structures and
140 all equipment or devices used or required to control, regulate or
141 operate the machinery, including, without limitation, computers and
142 data processing equipment, together with all replacement and repair
143 parts therefor, whether purchased separately or in conjunction with a
144 complete machine, and regardless of whether the machine or
145 component parts thereof are assembled by the taxpayer or another
146 party. "Equipment" means any device separate from machinery but

147 essential to a manufacturing, processing or fabricating process. (ii)
148 "Manufacturing facility" means that portion of a plant, building or
149 other real property improvement used for manufacturing, processing
150 or fabricating, for research and development, including experimental
151 or laboratory research and development, design or engineering
152 directly related to manufacturing, for the significant servicing,
153 overhauling or rebuilding of machinery and equipment for industrial
154 use or the significant overhauling or rebuilding of other products on a
155 factory basis, for measuring or testing or for metal finishing. (iii)
156 "Manufacturing" means the activity of converting or conditioning
157 tangible personal property by changing the form, composition, quality
158 or character of the property for ultimate sale at retail or use in the
159 manufacturing of a product to be ultimately sold at retail. Changing
160 the quality of property shall include any substantial overhaul of the
161 property that results in a significantly greater service life than such
162 property would have had in the absence of such overhaul or with
163 significantly greater functionality within the original service life of the
164 property, beyond merely restoring the original functionality for the
165 balance of the original service life. (iv) "Fabricating" means to make,
166 build, create, produce or assemble components or tangible personal
167 property work in a new or different manner, but does not include the
168 presorting, sorting, coding, folding, stuffing or delivery of direct or
169 indirect mail distribution services. (v) "Processing" means the physical
170 application of the materials and labor in a manufacturing process
171 necessary to modify or change the characteristics of tangible personal
172 property. (vi) "Measuring or testing" includes both nondestructive and
173 destructive measuring or testing, and the alignment and calibration of
174 machinery, equipment and tools, in the furtherance of the
175 manufacturing, processing or fabricating of tangible personal property.
176 (vii) "Biotechnology" means the application of technologies, including
177 recombinant DNA techniques, biochemistry, molecular and cellular
178 biology, genetics and genetic engineering, biological cell fusion
179 techniques, and new bioprocesses, using living organisms, or parts of
180 organisms, to produce or modify products, to improve plants or

181 animals, to develop microorganisms for specific uses, to identify
182 targets for small molecule pharmaceutical development, or to
183 transform biological systems into useful processes and products.

184 Sec. 6. Section 12-94b of the general statutes is repealed and the
185 following is substituted in lieu thereof (*Effective from passage*):

186 On or before March fifteenth, annually, commencing March 15,
187 1998, the assessor or board of assessors of each municipality shall
188 certify to the Secretary of the Office of Policy and Management, on a
189 form furnished by said secretary, the amount of exemptions approved
190 under the provisions of subdivisions (72) and (74) of section 12-81, as
191 amended by this act, together with such supporting information as
192 said secretary may require including the number of taxpayers with
193 approved claims under said subdivisions (72) and (74) and the original
194 copy of the applications filed by them. Said secretary shall review each
195 such claim as provided in section 12-120b. Not later than December
196 first next succeeding the conclusion of the assessment year for which
197 the assessor approved such exemption, the secretary shall notify each
198 claimant of the modification or denial of the claimant's exemption, in
199 accordance with the procedure set forth in section 12-120b. Any
200 claimant aggrieved by the results of the secretary's review shall have
201 the rights of appeal as set forth in section 12-120b. With respect to
202 property first approved for exemption under the provisions of
203 subdivisions (72) and (74) of section 12-81 for the assessment years
204 commencing on or after October 1, 2000, the grant payable for such
205 property to any municipality under the provisions of this section shall
206 be equal to eighty per cent of the property taxes which, except for the
207 exemption under the provisions of subdivisions (72) and (74) of section
208 12-81 for each applicable assessment year, would have been paid. The
209 secretary shall, on or before December fifteenth, annually, certify to the
210 Comptroller the amount due each municipality under the provisions of
211 this section, including any modification of such claim made prior to
212 December first, and the Comptroller shall draw an order on the
213 Treasurer on or before the twenty-fourth day of December following

214 and the Treasurer shall pay the amount thereof to such municipality
215 on or before the thirty-first day of December following. If any
216 modification is made as the result of the provisions of this section on
217 or after the December fifteenth following the date on which the
218 assessor has provided the amount of the exemption in question, any
219 adjustments to the amount due to any municipality for the period for
220 which such modification was made shall be made in the next payment
221 the Treasurer shall make to such municipality pursuant to this section.
222 [The amount of the grant payable to each municipality in any year in
223 accordance with this section shall be reduced proportionately in the
224 event that the total of such grants in such year exceeds the amount
225 appropriated for the purposes of this section with respect to such
226 year.] The General Assembly shall appropriate sufficient funds for the
227 fiscal year beginning July 1, 2005, and each fiscal year thereafter, to
228 fully carry out the purposes of this section. As used in this section,
229 "municipality" means each town, city, borough, consolidated town and
230 city and consolidated town and borough and each district, as defined
231 in section 7-324, and "next succeeding" means the second such date.

232 Sec. 7. Subdivision (1) of subsection (a) of section 12-214 of the
233 general statutes is repealed and the following is substituted in lieu
234 thereof (*Effective July 1, 2005, and applicable to income years commencing*
235 *on or after January 1, 2010*):

236 (a) (1) Every mutual savings bank, savings and loan association and
237 every company engaged in the business of carrying passengers for hire
238 over the highways of this state in common carrier motor vehicles doing
239 business in this state, and every other company carrying on, or having
240 the right to carry on, business in this state, including a dissolved
241 corporation which continues to conduct business, except those
242 companies described in subdivision (2) of this subsection, shall pay,
243 annually, a tax or excise upon its franchise for the privilege of carrying
244 on or doing business, owning or leasing property within the state in a
245 corporate capacity or as an unincorporated association taxable as a
246 corporation for federal income tax purposes or maintaining an office

247 within the state, such tax to be measured by the entire net income as
248 herein defined received by such corporation or association from
249 business transacted within the state during the income year and to be
250 assessed for each income year commencing prior to January 1, 1995, at
251 the rate of eleven and one-half per cent, for income years commencing
252 on or after January 1, 1995, and prior to January 1, 1996, at the rate of
253 eleven and one-quarter per cent, for income years commencing on or
254 after January 1, 1996, and prior to January 1, 1997, at the rate of ten and
255 three-fourths per cent, for income years commencing on or after
256 January 1, 1997, and prior to January 1, 1998, at the rate of ten and one-
257 half per cent, for income years commencing on or after January 1, 1998,
258 and prior to January 1, 1999, at the rate of nine and one-half per cent,
259 for income years commencing on or after January 1, 1999, and prior to
260 January 1, 2000, at the rate of eight and one-half per cent, [and] for
261 income years commencing on or after January 1, 2000, and prior to
262 January 1, 2010, at the rate of seven and one-half per cent, for income
263 years commencing on or after January 1, 2010, and prior to January 1,
264 2011, at the rate of seven and three-quarters per cent, for income years
265 commencing on or after January 1, 2011, and prior to January 1, 2012,
266 at the rate of eight per cent, for income years commencing on or after
267 January 1, 2012, and prior to January 1, 2013, at the rate of eight and
268 one-quarter per cent, for income years commencing on or after January
269 1, 2013, and prior to January 1, 2014, at the rate of eight and one-half
270 per cent, and for income years commencing on or after January 1, 2014,
271 at the rate of eight and three-quarters per cent. The exemption of
272 companies described in subparagraphs (G) and (H) of subdivision (2)
273 of this subsection shall not be allowed with respect to any income year
274 of any such company commencing on or after January 1, 1998, and any
275 such company claiming such exemption for any income years
276 commencing on or after January 1, 1985, but prior to January 1, 1998,
277 shall be required to file a corporation business tax return in accordance
278 with section 12-222 for each such income year.

279 Sec. 8. (NEW) (*Effective July 1, 2005*) (a) There is established the
280 Defense Manufacturing and Submarine Base Advisory Board,

281 consisting of six persons appointed as follows: Two by the Governor,
282 one by the president pro tempore of the Senate, one by the speaker of
283 the House of Representatives, one by the minority leader of the Senate
284 and one by the minority leader of the House of Representatives. The
285 members of the board shall have substantial expertise and experience
286 in the fields of manufacturing, national defense, utilities or business
287 and each of said fields shall be represented on the board at all times.
288 Each member of the board shall serve a term that is coterminous with
289 the term of the appointing authority for such member. The board shall
290 elect a chairperson and a vice-chairperson from among its members.
291 Any person absent from (1) three consecutive meetings of the board, or
292 (2) fifty per cent of such meetings during any calendar year shall be
293 deemed to have resigned from the board, effective immediately.
294 Vacancies on the board shall be filled by the appointing authority.
295 Members of the board shall serve without compensation but shall,
296 within the limits of available funds, be reimbursed for expenses
297 necessarily incurred in the performance of their duties. The board shall
298 meet as often as deemed necessary by the chairperson or a majority of
299 the board.

300 (b) The board shall monitor (1) the competitiveness of the defense
301 manufacturing industry in Connecticut, and (2) United States
302 Government policies regarding military base closings and, not later
303 than January first, annually, submit a report on its findings and
304 recommendations to the Governor and the joint standing committee of
305 the General Assembly having cognizance of matters relating to
306 economic development, in accordance with the provisions of section
307 11-4a of the general statutes.

| | | |
|---|---------------------|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>July 1, 2005</i> | New section |
| Sec. 2 | <i>July 1, 2006</i> | New section |
| Sec. 3 | <i>July 1, 2005</i> | New section |
| Sec. 4 | <i>July 1, 2005</i> | New section |

| | | |
|--------|--|--------------|
| Sec. 5 | <i>July 1, 2005, and applicable to assessment years commencing on or after October 1, 2005</i> | 12-81(72)(A) |
| Sec. 6 | <i>from passage</i> | 12-94b |
| Sec. 7 | <i>July 1, 2005, and applicable to income years commencing on or after January 1, 2010</i> | 12-214(a)(1) |
| Sec. 8 | <i>July 1, 2005</i> | New section |

Statement of Purpose:

To improve the competitiveness of defense manufacturing in the state and provide support for the United States Naval Submarine Base in New London.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]