



General Assembly

Raised Bill No. 669

February Session, 2006

LCO No. 3346

03346_____FIN

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

***AN ACT CLARIFYING POLICIES REGARDING THE EXPENDITURES
ELIGIBLE FOR THE RESEARCH AND DEVELOPMENT TAX CREDIT
AND THE SALES TAXATION OF MANUFACTURING MACHINERY
AND EQUIPMENT.***

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

1 Section 1. Subdivision (1) of subsection (b) of section 12-217n of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2006, and applicable to income years commencing*
4 *on or after January 1, 2006*):

5 (1) "Research and development expenses" means: (A) For those
6 credits allowed pursuant to this section for expenditures made during
7 income years commencing prior to January 1, 2006, research or
8 experimental expenditures deductible under Section 174 of the Internal
9 Revenue Code of 1986, as in effect on May 28, 1993, determined
10 without regard to Section 280C(c) [thereof] of said Internal Revenue
11 Code or any elections made by a taxpayer to amortize such expenses
12 on its federal income tax return that were otherwise deductible, and
13 basic research payments as defined under Section 41 of said Internal
14 Revenue Code to the extent not deducted under said Section 174,

15 provided: [(A)] (i) Such expenditures and payments are paid or
16 incurred for such research and experimentation and basic research
17 conducted in this state; and [(B)] (ii) such expenditures and payments
18 are not funded, within the meaning of Section 41(d)(4)(H) of said
19 Internal Revenue Code, by any grant, contract, or otherwise by a
20 person or governmental entity other than the taxpayer unless such
21 other person is included in a combined return with the person paying
22 or incurring such expenses; (B) for those credits allowed pursuant to
23 this section for expenditures made during income years commencing
24 on or after January 1, 2006, research or experimental expenditures
25 receiving a credit pursuant to Section 41 of the Internal Revenue Code
26 of 1986, or any subsequent corresponding internal revenue code of the
27 United States, as from time to time amended, determined without
28 regard to Section 280C(c) of said Internal Revenue Code or any
29 elections made by a taxpayer to amortize such expenses on its federal
30 income tax return that were otherwise deductible, provided: (i) Such
31 expenditures and payments are paid or incurred for such research and
32 experimentation and basic research conducted in this state; and (ii)
33 such expenditures and payments are not funded, within the meaning
34 of Section 41(d)(4)(H) of said Internal Revenue Code, by any grant,
35 contract, or otherwise by a person or governmental entity other than
36 the taxpayer unless such other person is included in a combined return
37 with the person paying or incurring such expenses.

38 Sec. 2. (*Effective from passage*) (a) There is established a task force to
39 study tax relief for manufacturers. Such study shall include, but not be
40 limited to, (1) an examination of exemptions from the sales and use tax
41 intended to encourage and facilitate investment in new technologies
42 and manufacturing machinery and equipment, (2) a review of other
43 statutory provisions intended to preserve and promote manufacturing
44 and manufacturing jobs in Connecticut, and (3) development of
45 recommendations to provide clarity and consistency in the application
46 of such exemptions and other statutory provisions.

47 (b) The task force shall consist of the following members:

48 (1) Two representatives of a state-wide business group appointed by
49 the speaker of the House of Representatives;

50 (2) Two representatives of a state-wide manufacturers' group
51 appointed by the president pro tempore of the Senate;

52 (3) One representative of a labor group appointed by the majority
53 leader of the House of Representatives;

54 (4) One representative of a labor group appointed by the majority
55 leader of the Senate;

56 (5) One representative from municipal government appointed by
57 the minority leader of the House of Representatives;

58 (6) One representative from municipal government appointed by
59 the minority leader of the Senate;

60 (7) The Commissioners of Revenue Services and Economic and
61 Community Development, or the commissioners' designees;

62 (8) Two representatives from quasi-public agencies concerned with
63 economic development appointed by the Governor; and

64 (9) The chairpersons of the joint standing committee of the General
65 Assembly having cognizance of matters relating to finance, revenue
66 and bonding.

67 (c) Any member of the task force appointed under subdivision (1),
68 (2), (3), (4), (5) or (6) of subsection (b) of this section may be a member
69 of the General Assembly.

70 (d) All appointments to the task force shall be made no later than
71 thirty days after the effective date of this section. Any vacancy shall be
72 filled by the appointing authority.

73 (e) The speaker of the House of Representatives and the president
74 pro tempore of the Senate shall select the chairpersons of the task

75 force, from among the members of the task force. Such chairpersons
76 shall schedule the first meeting of the task force, which shall be held no
77 later than sixty days after the effective date of this section.

78 (f) The administrative staff of the joint standing committee of the
79 General Assembly having cognizance of matters relating to finance,
80 revenue and bonding shall serve as administrative staff of the task
81 force.

82 (g) Not later than January 1, 2007, the task force shall submit a
83 report on its findings and recommendations to the joint standing
84 committees of the General Assembly having cognizance of matters
85 relating to finance, revenue and bonding, and economic and
86 community development, in accordance with the provisions of section
87 11-4a of the general statutes. The task force shall terminate on the date
88 that it submits such report or January 1, 2007, whichever is later.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006, and applicable to income years commencing on or after January 1, 2006</i>	12-217n(b)(1)
Sec. 2	<i>from passage</i>	New section

Statement of Purpose:

To bring the state research and development credit into conformance with the federal research and development credit, and to establish a task force to consider tax relief for manufacturers.

[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.]