



General Assembly

February Session, 2008

Raised Bill No. 5780

LCO No. 2484

02484_____CE_

Referred to Committee on Commerce

Introduced by:

(CE)

AN ACT CONCERNING THE JOB CREATION TAX CREDIT PROGRAM.

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

1 Section 1. Section 12-217ii of the 2008 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2008, and applicable to income or taxable years commencing*
4 *on or after January 1, 2008*):

5 (a) As used in this section:

6 (1) "Commissioner" means the Commissioner of Economic and
7 Community Development;

8 (2) "Income year" means, with respect to entities subject to the
9 insurance premiums tax under chapter 207, the corporation business
10 tax under this chapter or the utilities company tax under chapter 212,
11 the income year as determined under each of said chapters, as the case
12 may be;

13 (3) "Taxpayer" means a person subject to tax under chapter 207, this
14 chapter, [or] chapter 212 or chapter 229;

15 (4) "New job" means a full-time job which (A) did not exist in this
16 state prior to a taxpayer's application to the commissioner for an
17 eligibility certificate under this section for a job creation credit, and (B)
18 is filled by a new employee;

19 (5) "New employee" means a person hired by the taxpayer to fill a
20 new full-time job. A new employee does not include a person who was
21 employed in Connecticut by a related person with respect to the
22 taxpayer during the prior twelve months;

23 (6) "Full-time job" means a job in which an employee is required to
24 work at least thirty-five or more hours per week. A full-time job does
25 not include a temporary or seasonal job;

26 (7) "Related person" means (A) a corporation, limited liability
27 company, partnership, association or trust controlled by the taxpayer,
28 (B) an individual, corporation, limited liability company, partnership,
29 association or trust that is in control of the taxpayer, (C) a corporation,
30 limited liability company, partnership, association or trust controlled
31 by an individual, corporation, limited liability company, partnership,
32 association or trust that is in control of the taxpayer, or (D) a member
33 of the same controlled group as the taxpayer; [and]

34 (8) "Control", with respect to a corporation, means ownership,
35 directly or indirectly, of stock possessing fifty per cent or more of the
36 total combined voting power of all classes of the stock of such
37 corporation entitled to vote. "Control", with respect to a trust, means
38 ownership, directly or indirectly, of fifty per cent or more of the
39 beneficial interest in the principal or income of such trust. The
40 ownership of stock in a corporation, of a capital or profits interest in a
41 partnership, limited liability company or association or of a beneficial
42 interest in a trust shall be determined in accordance with the rules for
43 constructive ownership of stock provided in Section 267(c) of the
44 Internal Revenue Code of 1986, or any subsequent corresponding
45 internal revenue code of the United States, as from time to time
46 amended, other than paragraph (3) of said Section 267(c); and

47 (9) "Taxable year" means taxable year, for federal income tax
48 purposes.

49 (b) (1) There is established a jobs creation tax credit program
50 whereby a taxpayer who creates at least [ten new jobs] one new job in
51 Connecticut may be allowed a credit against the tax imposed under
52 chapter 207, this chapter, [or] chapter 212 or chapter 229, in an amount
53 up to sixty per cent of the income tax deducted and withheld from the
54 wages of new employees and paid over to the state pursuant to
55 chapter 229.

56 (2) For each new employee, credits may be granted for five
57 successive years.

58 (3) The credit shall be claimed in the income or taxable year in
59 which it is earned. Any credits not used in [a tax] an income or taxable
60 year shall expire.

61 (c) Any taxpayer [planning to claim] claiming a credit under the
62 provisions of this section shall apply to the commissioner [in
63 accordance with the provisions of this section. The application shall be]
64 on a form provided by the commissioner, and shall contain sufficient
65 information concerning the number of new jobs [to be] created,
66 [feasibility studies or business plans for the increased number of jobs,
67 projected state and local revenue that might derive as a result of the job
68 growth] and other information necessary to demonstrate [that there
69 will be net benefits to the economy of the municipality and the state.
70 The commissioner shall impose a fee for such application as the
71 commissioner deems appropriate] the amount of the credit to be taken
72 by such taxpayer. Such form shall be signed by such taxpayer under
73 penalty of false statement, and shall be attached to such taxpayer's tax
74 return for the income or taxable year, as applicable.

75 [(d) The commissioner shall determine whether (1) the taxpayer
76 making the application is eligible for the tax credit, and (2) the
77 proposed job growth (A) is economically viable only with use of the

78 tax credit, (B) would provide a net benefit to economic development
79 and employment opportunities in the state, and (C) conforms to the
80 state plan of conservation and development prepared pursuant to
81 section 16a-24. The commissioner may require the applicant to submit
82 such additional information as may be necessary to evaluate the
83 application.

84 (e) (1) The commissioner, upon consideration of the application and
85 any additional information the commissioner requires, may approve
86 the credit application, in whole or in part, if the commissioner
87 concludes that the increase in the number of jobs is economically
88 viable only with the use of the tax credit and that the revenue
89 generated due to economic development and employment
90 opportunities created in the state exceeds the credit and any other
91 credits to be taken. If the commissioner disapproves an application, the
92 commissioner shall specifically identify the defects in the application
93 and specifically explain the reasons for the disapproval. The
94 commissioner shall render a decision on an application not later than
95 ninety days after the date of its receipt by the commissioner.

96 (2) The total amount of credits granted to all taxpayers shall not
97 exceed ten million dollars in any one fiscal year.]

98 [(3)] (d) A credit under this section may be [granted to] claimed by a
99 taxpayer for not more than five successive income or taxable years.

100 [(4) The commissioner may combine approval of a credit application
101 with the exercise of any of the commissioner's other powers, including,
102 but not limited to, the provision of other forms of financial assistance.

103 (f) Upon approving a taxpayer's credit application, the
104 commissioner shall issue a credit allocation notice certifying that the
105 credits will be available to be claimed by the taxpayer if the taxpayer
106 otherwise meets the requirements of this section. No later than thirty
107 days after the close of the taxpayer's income year, the taxpayer shall
108 provide information to the commissioner regarding the number of new

109 jobs created for the year and the income tax deducted and withheld
110 from the wages of such new employees and paid over to the state for
111 such year. The commissioner shall issue a certificate of eligibility that
112 includes the taxpayer's name, the number of new jobs created, and the
113 amount of the credit certified for the year. The certificate shall be
114 issued by the commissioner sixty days after the close of the taxpayer's
115 income year or thirty days after the information is provided,
116 whichever comes first.

117 (g) The commissioner shall, upon request, provide a copy of the
118 certificate of eligibility issued under subsection (f) of this section to the
119 Commissioner of Revenue Services.]

120 [(h)] (e) (1) If (A) the number of new employees on account of which
121 a taxpayer claimed the credit allowed by this section decreases to less
122 than the number for which the [commissioner issued an eligibility
123 certificate] taxpayer claimed a credit pursuant to this section during
124 any of the four years succeeding the first full income or taxable year
125 following [the issuance of an eligibility certificate] such year in which
126 the credit was first taken, and (B) those employees are not replaced by
127 other employees who have not been shifted from an existing location
128 of the taxpayer or a related person in this state, the taxpayer shall be
129 required to recapture a percentage of the credit allowed under this
130 section on its tax return, as determined under the provisions of
131 subdivision (2) of this subsection. [The commissioner shall provide
132 notice of the required recapture amount to both the taxpayer and the
133 Commissioner of Revenue Services.]

134 (2) If the taxpayer is required under the provisions of subdivision
135 (1) of this subsection to recapture a portion of the credit during (A) the
136 first of such four years, then ninety per cent of the credit allowed shall
137 be recaptured on the tax return required to be filed for such year, (B)
138 the second of such four years, then sixty-five per cent of the credit
139 allowed for the entire period of eligibility shall be recaptured on the
140 tax return required to be filed for such year, (C) the third of such four

141 years, then fifty per cent of the credit allowed for the entire period of
142 eligibility shall be recaptured on the tax return required to be filed for
143 such year, (D) the fourth of such four years, then thirty per cent of the
144 credit allowed for the entire period of eligibility shall be recaptured on
145 the tax return required to be filed for such year.

146 (f) The provisions of section 12-233 shall apply to any tax return
147 claiming the credit authorized pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2008, and applicable to income or taxable years commencing on or after January 1, 2008</i>	12-217ii

Statement of Purpose:

To promote job growth in the state by expanding the job creation tax credit to small businesses, applying it to any net new job, and making the credit one that the taxpayer can claim without prior approval.

[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.]