



General Assembly

February Session, 2008

Raised Bill No. 536

LCO No. 2581

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Referred to Committee on Planning and Development

Introduced by:
(PD)

AN ACT ESTABLISHING A JOB CREATION TAX CREDIT FOR SMALL BUSINESSES AND AUTHORIZING BONDS OF THE STATE FOR INFRASTRUCTURE INVESTMENTS IN THE TOWN OF MANCHESTER.

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

1 Section 1. (NEW) (*Effective July 1, 2008, and applicable to income years*
2 *commencing on or after January 1, 2008*) (a) As used in this section:

3 (1) "Commissioner" means the Commissioner of Economic and
4 Community Development;

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

10 (3) "Taxpayer" means a person subject to tax under chapters 207, 208
11 and 212 of the general statutes;

12 (4) "New job" means a full-time job which (A) did not exist in this
13 state prior to a taxpayer's application to the commissioner for an

14 eligibility certificate under this section for a job creation credit, and (B)
15 is filled by a new employee;

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

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

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

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

44 (9) "Small business" means a business entity, including its affiliates,

45 that (A) is independently owned and operated, and (B) employs fewer
46 than fifty full-time employees or has gross annual sales of less than
47 five million dollars; and

48 (10) "Ex-offender" means any person who (A) has been convicted of
49 an offense and has been released from any incarceration, and (B) is
50 meeting or has discharged all conditions of probation or parole, if
51 applicable.

52 (b) (1) There is established a small business jobs creation tax credit
53 program whereby a taxpayer who creates at least two new jobs in
54 Connecticut for residents of the municipality in which the business is
55 located or ex-offenders may be allowed a credit against the tax
56 imposed under chapter 207, 208 or 212 of the general statutes, in an
57 amount up to sixty per cent of the income tax deducted and withheld
58 from the wages of new employees and paid over to the state pursuant
59 to chapter 229 of the general statutes.

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

62 (3) The credit shall be claimed in the income year in which it is
63 earned. Any credits not used in a tax year shall expire.

64 (c) Any taxpayer planning to claim a credit under the provisions of
65 this section shall apply to the commissioner in accordance with the
66 provisions of this section. The application shall be on a form provided
67 by the commissioner, and shall contain sufficient information
68 concerning the number of new jobs to be created, feasibility studies or
69 business plans for the increased number of jobs, projected state and
70 local revenue that might derive as a result of the job growth and other
71 information necessary to demonstrate that there will be net benefits to
72 the economy of the municipality and the state. The commissioner shall
73 impose a fee for such application as the commissioner deems
74 appropriate.

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 of the general statutes. The commissioner may require
82 the applicant to submit such additional information as may be
83 necessary to evaluate the 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) A credit under this section may be granted to a taxpayer for not
99 more than five successive income 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) (1) If (A) the number of new employees on account of which a
121 taxpayer claimed the credit allowed by this section decreases to less
122 than the number for which the commissioner issued an eligibility
123 certificate during any of the four years succeeding the first full income
124 year following the issuance of an eligibility certificate, and (B) those
125 employees are not replaced by other employees who have not been
126 shifted from an existing location of the taxpayer or a related person in
127 this state, the taxpayer shall be required to recapture a percentage of
128 the credit allowed under this section on its tax return, as determined
129 under the provisions of subdivision (2) of this subsection. The
130 commissioner shall provide notice of the required recapture amount to
131 both the taxpayer and the Commissioner of Revenue Services.

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

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

144 Sec. 2. (*Effective July 1, 2008*) (a) For the purposes described in
145 subsection (b) of this section, the State Bond Commission shall have
146 the power, from time to time, to authorize the issuance of bonds of the
147 state in one or more series and in principal amounts not exceeding in
148 the aggregate ____ dollars.

149 (b) The proceeds of the sale of said bonds, to the extent of the
150 amount stated in subsection (a) of this section, shall be used by the
151 Department of Economic and Community Development for the
152 purpose of a grant to the town of Manchester for capital improvements
153 to develop the Spruce Street area of the town of Manchester.

154 (c) All provisions of section 3-20 of the general statutes, or the
155 exercise of any right or power granted thereby, which are not
156 inconsistent with the provisions of this section are hereby adopted and
157 shall apply to all bonds authorized by the State Bond Commission
158 pursuant to this section, and temporary notes in anticipation of the
159 money to be derived from the sale of any such bonds so authorized
160 may be issued in accordance with said section 3-20 and from time to
161 time renewed. Such bonds shall mature at such time or times not
162 exceeding twenty years from their respective dates as may be provided
163 in or pursuant to the resolution or resolutions of the State Bond
164 Commission authorizing such bonds. None of said bonds shall be
165 authorized except upon a finding by the State Bond Commission that
166 there has been filed with it a request for such authorization which is
167 signed by or on behalf of the Secretary of the Office of Policy and
168 Management and states such terms and conditions as said commission,
169 in its discretion, may require. Said bonds issued pursuant to this

170 section shall be general obligations of the state and the full faith and
171 credit of the state of Connecticut are pledged for the payment of the
172 principal of and interest on said bonds as the same become due, and
173 accordingly and as part of the contract of the state with the holders of
174 said bonds, appropriation of all amounts necessary for punctual
175 payment of such principal and interest is hereby made, and the State
176 Treasurer shall pay such principal and interest as the same become
177 due.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 2	<i>July 1, 2008</i>	New section

Statement of Purpose:

To establish a small business jobs creation tax credit for small business that employ residents in the municipality and authorizing bonds of the state for capital improvements in the Spruce Street area in the town of Manchester.

[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.]