



State of Connecticut
Department of Economic and
Community Development

TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE
February 16, 2010

Joan McDonald, Commissioner
Department of Economic and Community Development

SB 107 - AN ACT ESTABLISHING A BRADLEY DEVELOPMENT ZONE

The Department of Economic and Community Development (DECD) offers the following comments concerning **Senate Bill 107 AN ACT ESTABLISHING A BRADLEY DEVELOPMENT ZONE**.

The bill that is being proposed is separate from the Enterprise Zone Program. In order to establish a traditional Enterprise Zone, census tracts in a community must meet certain social and economic conditions:

- poverty rate of at least 25%
- unemployment rate of two times the state average
- at least 25% of the tracts population receiving public assistance

An 'enterprise zone' under state law is a designated Targeted Investment Community. It is an area within a municipality. Incentive benefits are provided for eligible business relocation or expansion projects within the zone. Eligible businesses include manufacturers, warehouse distributors (new construction only), and certain service-related businesses.

Enterprise Zone Benefits

- a five-year, 80 percent abatement of local property taxes on all qualifying real and personal property that are new to the grand list of the municipality as a direct result of a business relocation, expansion, or renovation project, and;
- a 10-year, 25 percent or 50 percent credit on that portion of the Connecticut Corporate Business Tax that is directly attributable to the business relocation, expansion or renovation project as determined by the Connecticut Department of Revenue Services.

Senate Bill 107 would require the State, through OPM, to reimburse Windsor Locks, Suffield, East Granby and Windsor for 40 percent of the revenue they forego when they provide a tax abatement under §12-65b for any eligible projects within the zone. The existing statute, §12-65b allows any town in Connecticut to provide tax abatements if they choose. There is no state reimbursement for such tax abatements.

Senate Bill 107 also authorizes a 10-year corporate business tax credit for any businesses in the Bradley Zone. A business qualifies for the credit if it hires new full-time employees to work at the facility. The credit equals: 1) 30% if the business hires between 25 and 149 new employees to work at the facility or 2) 50% if it hires at least 150 new employees to work there.

Additionally, the bill would authorize all businesses in the Bradley Zone be exempt from paying the sales tax on machinery replacement parts.

Fiscal Impact of SB 107:

It is difficult to determine the fiscal impact as we don't know how many businesses will be provided incentives by the towns. The Office of Policy and Management would be required to make a payment to the towns once a year on August 1st. While DECD is referenced in last year's proposed bill there appears to be no role for DECD in SB 107, only for DRS and OPM. A specific net economic gain or loss cannot be determined without a full analysis of businesses located in each community.

Finally, while DECD understands the concept behind this proposal we would however, raise the concern that there does not appear to be more fiscal oversight as to how benefits are granted or earned, unlike the requirements under the enterprise zone program.

Thank you for your consideration of these comments.