Senate

General Assembly **File No. 189**

February Session, 2010 Substitute Senate Bill No. 107

Senate, March 30, 2010

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A BRADLEY DEVELOPMENT ZONE.

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

Section 1. (NEW) (*Effective July 1, 2010*) There is established an airport development zone, which is comprised of the following census blocks as assigned on the effective date of this section in the towns of Windsor Locks, Suffield, East Granby and Windsor:

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090034701003002,	090034701003003,	090034701003004,
090034701003005,	090034701003017,	090034701003018,
090034701003019,	090034701003020,	090034701003021,
090034701003025,	090034701003026,	090034735022009,
090034735022010,	090034735022011,	090034735022012,
090034735022013,	090034735025004,	090034735027000,
090034735029000,	090034735029001,	090034735029002,
090034735029003,	090034735029004,	090034735029006,
090034761009000,	090034761009010,	090034761009011,
090034761009012,	090034761009013,	090034762001023,
090034762001025,	090034762002009,	090034762002013,
090034763003004,	090034763009000,	090034763009001,

090034763009002,	090034763009003,	090034763009004,
090034763009005,	090034763009006,	090034763009007,
090034763009008,	090034763009009,	090034763009010,
090034763009011,	090034763009012,	090034763009013,
090034763009014,	090034763009015,	090034763009016,
090034763009017,	090034763009018,	090034763009020,
090034763009021,	090034763009022,	090034763009023,
090034763009024,	090034763009025,	090034763009026,
090034763009031,	090034763009033,	090034771014005,
090034771014011,	090034771014012,	090034771014013,
090034771014014,	090034771014017,	090034771014018,
090034771014019,	090034771014020,	090034771023025,
090034771023026,	090034771023027,	090034771023036,
090034701003006,	090034701003022,	090034701003023,
090034701005000,	090034761001039,	090034763009028.

Sec. 2. (NEW) (*Effective October 1, 2010, and applicable to assessment years commencing on or after October 1, 2011*) (a) (1) Any municipality that is part of the airport development zone established pursuant to section 1 of this act may, by vote of its legislative body, enter into an agreement with any party owning or proposing to acquire an interest in real property in such municipality, or with any party owning or proposing to acquire an interest in air space in such municipality, or with any party who is the lessee of, or who proposes to be the lessee of, air space in such municipality in such a manner that the air space leased or proposed to be leased shall be assessed to the lessee pursuant to section 12-64 of the general statutes. Subject to the provisions of subsection (b) of this section, such agreement may fix the assessment of the real property or air space which is the subject of the agreement, and all improvements thereon or therein and to be constructed thereon or therein, (A) for a period of not more than seven years, provided the cost of such improvements to be constructed is not less than three million dollars; (B) for a period of not more than two years, provided the cost of such improvements to be constructed is not less than five hundred thousand dollars; or (C) for a period of not more than three years, for not more than fifty per cent of such increased assessment, provided the cost of such improvements to be constructed is not less than twenty-five thousand dollars. A municipality shall submit an

agreement made pursuant to this section to the Commissioner of Economic and Community Development for approval.

(2) A municipality may enter into agreements pursuant to subsection (a) of this section for a period of ten years following the date on which such municipality entered into the first such agreement.

(b) The provisions of subsection (a) of this section shall only apply if (1) the improvements are for at least one of the following: (A) Office use; (B) manufacturing use; (C) warehouse, storage or distribution use; (D) information technology; (E) recreation facilities; or (F) transportation facilities; or (2) the improvements are for a business in a cluster designated by the commissioner pursuant to section 32-1o of the general statutes.

(c) The state shall make an annual grant payment to each municipality entering into an agreement under subsection (a) of this section with respect to property located in an airport development zone in the amount of forty per cent of the amount of that tax revenue which the municipality would have received except for the agreement entered into pursuant to subsection (a) of this section. On or before the first day of August of each year, each municipality shall file a claim with the Secretary of the Office of Policy and Management for the amount of such grant payment to which such municipality is entitled under this subsection. The claim shall be made on forms prescribed by the secretary and shall be accompanied by such supporting information as the secretary may require, but shall include for each party such party's location, the North American Industry Classification System Code for such party, the amount to be reimbursed and the term of the fixed assessment. Any municipality which neglects to transmit to the secretary such claim and supporting documentation as required by this section shall forfeit two hundred fifty dollars to the state, provided the secretary may adopt regulations in accordance with the provisions of chapter 54 of the general statutes to provide procedures and standards to waive such forfeiture. The secretary shall review each such claim in the manner provided in section 12-120b of the general statutes. Any municipality aggrieved by the results of the secretary's review may proceed in the manner set forth in section 12-120b of the general statutes. The secretary shall, on or before the December fifteenth next succeeding the deadline for the receipt of such claims, certify to the Comptroller the amount due under this section, including any modification of such claim made prior to December fifteenth, to each municipality which has made a claim under the provisions of this subsection. The Comptroller shall draw an order on the Treasurer on or before the fifth business day following December fifteenth, and the Treasurer shall pay the amount thereof to each such municipality on or before the following December thirty-first. If any modification is made as the result of the provisions of this section on or after the December first following the date on which the municipality has provided the amount of tax revenue in question, any adjustment to the amount due to any municipality for the period for which such modification was made shall be made in the next payment the Treasurer shall make to such municipality pursuant to this section. The amount of the grant payable to each municipality in accordance with this section shall be reduced proportionately in the event that the total amount of the grants payable to all municipalities exceeds the amount appropriated.

Sec. 3. (NEW) (*Effective October 1, 2010, and applicable to income years commencing on or after January 1, 2012*) (a) There shall be allowed as a credit against the tax imposed by chapter 208 of the general statutes for any business occupying a property located in the airport development zone established in section 1 of this act in an amount equal to the following percentage of that portion of such tax which is allocable to that property: (1) Thirty per cent, if there are twenty-five or more but not more than one hundred fifty new employees working at such property; or (2) fifty per cent if there are one hundred fifty or more new employees working at such property. Businesses seeking an eligibility certificate for a credit pursuant to this section shall apply to the Department of Revenue Services and shall include in such application a revenue impact assessment that estimates the state and local revenue that would be generated as a result of the project. As used in this subsection: (A) "New employee" means a person hired to fill a position for a new job or a person shifted from an existing location outside this state to the airport development zone, provided (i) in no case shall the total number of new employees allowed for purposes of this credit exceed the total increase in the taxpayer's employment in this state, which increase shall be the difference between (I) the number of employees employed by the taxpayer in this state at the time of application to the Commissioner of Revenue Services for such credit plus the number of new employees who would be eligible for inclusion under the credit allowed under this subsection without regard to this calculation, and (II) the highest number of employees employed by the taxpayer in this state in the year preceding the taxpayer's application to the Commissioner of Revenue Services for an eligibility certificate for such credit, and (ii) a person shall be deemed to be a "new employee" only if such person's duties in connection with the operation of the facility are on a regular, full-time or equivalent, or full-time and permanent basis; and (B) "new job" means a job that did not exist in the business of a taxpayer in this state prior to the taxpayer's application to the Commissioner of Revenue Services for an eligibility certificate for such credit and that is filled by a new employee, but does not include a job created when an employee is shifted from an existing location of the taxpayer in this state to the airport development zone.

(b) The credit allowed by this section may be claimed only by an occupant or occupants of the property who have received an eligibility certificate. The credit may first be claimed on the tax return for the taxpayer's income year which begins during the calendar year next succeeding the calendar year in which the taxpayer was issued an eligibility certificate, and may be claimed in each of the following nine income years. If within such period, however, any property ceases to meet the job creation target under which it qualified for the credits, or any occupant ceases to be an occupant, the entitlement to the credit allowed by this section shall terminate in the income year in which the qualification or occupancy ceases, and there shall not be a pro rata application of the credit to such income year.

Sec. 4. Subdivision (43) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2011, and applicable to sales occurring on or after said date*):

(43) Sales of any replacement parts for machinery to any business entity located in any enterprise zone designated pursuant to section 32-70 or in the airport development zone established in section 1 of this act for use within such zone.

Sec. 5. (NEW) (*Effective from passage*) The Bradley Board of Directors may contract with the Connecticut Center for Advanced Technology to help manufacturers and technology-based businesses locating in the airport development zone established in section 1 of this act, to (1) apply for financial assistance; (2) obtain job training services from the state's community technical colleges; and (3) obtain job training services from other training providers.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2010*	New section
Sec. 2	*October 1, 2010, and applicable to assessment years commencing on or after October 1, 2011*	New section
Sec. 3	*October 1, 2010, and applicable to income years commencing on or after January 1, 2012*	New section
Sec. 4	*October 1, 2011, and applicable to sales occurring on or after said date*	12-412(43)
Sec. 5	*from passage*	New section

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 11 $	FY 12 $
Department of Revenue Services	GF - Revenue Impact	See Below	See Below
Department of Revenue Services	GF - Cost	100,000	None
Department of Revenue Services	GF - Revenue Loss	75,000	75,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 11 $	FY 12 $
Various Municipalities	Revenue Impact	See Below	See Below

Explanation

The bill allows municipalities the option to fix the assessment on large-scale development projects within the BADZ. It is assumed that a municipality would only elect to enter into an agreement to fix the assessment of real or personal property at the lower threshold if it would result in a net benefit to the municipality.

The bill could result in a cost to the state and a revenue gain to municipalities by requiring the state to reimburse the BADZ towns for 40% for the revenue they forgo when they fix the assessment for eligible BADZ projects. The magnitude of the cost to the state and the revenue gain to municipalities will depend on the degree in which municipalities choose to provide the property tax exemption, the degree in which the assessed property value increases, and the degree in which the state decides to appropriate funds for reimbursement to towns. The bill reduces on a pro rata basis the amount of state grants if the appropriation is insufficient to fully fund the reimbursement; sHB

5018, the budget bill as favorably reported by the Appropriations Committee does not contain any funds for this purpose.

The bill will result in a potentially significant net revenue impact to the General Fund from a decrease in revenue from the corporation business tax and an increase in revenue from the personal income tax. The bill creates a job creation tax credit that allows corporation's to take a tax credit equal to a percentage of their total corporation tax liability allocable to the property in the BADZ. The credit equals (1) 30%, if the business hires between 25 and 149 new employees to work at the property or (2) 50%, if it hires at least 150 new employees to work there. The jobs creation tax credit allows corporations to shift employees from outside the state into the BADZ to claim the credit.

The credit will result in a revenue gain to the General Fund from the personal income tax to the extent the credit incentives job creation and other economic activity that would not have occurred otherwise. The net impact of the credit will depend on how much of the credit is attributable to economic activity that is already occurring in the state compared to new economic activity that has occurred as a direct result of the credit.

The bill will also result in a revenue loss of approximately $75,000 to the General Fund from the sales and use tax from creating an exemption on replacement parts for machinery. Currently all replacement parts in development zones are exempt from the sales tax which results in a revenue loss to the state of approximately $700,000 per year.

The bill will result in a cost to the Department of Revenue Services (DRS) of approximately $100,000 to make changes to forms and their computer system.

To the extent that such financial incentives result in economic development that otherwise would not have occurred, the revenue loss could be off-set by additional tax revenue from the creation of new or expansion of existing business. Financial incentives identified by the bill include state-reimbursed property tax exemptions, corporation business tax credit, and a sales tax exemption for manufacturing equipment replacement parts.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Department of Community Development
Department of Revenue Services Annual Report

OLR Bill Analysis

sSB 107

AN ACT ESTABLISHING A BRADLEY DEVELOPMENT ZONE.

SUMMARY:

This bill creates an intermunicipal development zone around Bradley International Airport and authorizes state-reimbursed property tax exemptions, corporation business tax credits, and sales tax exemptions for businesses developing property and creating jobs in that zone. The zone, called the Bradley Airport Development Zone (BADZ), encompasses specified contiguous census tract blocks in Windsor Locks, Suffield, East Granby, and Windsor.

The bill also authorizes the Bradley board of directors to help the zone's manufacturers and technology-based businesses obtain financing and job training assistance. In doing so, it allows the board to arrange for this assistance by contracting with the nonprofit Connecticut Center for Advanced Technology.

EFFECTIVE DATE: Upon passage, except (1) July 1, 2010 for the provision designating the zone; (2) October 1, 2010 for the property tax exemption and applicable to assessment years beginning on or after October 1, 2011; (3) October 1, 2010 for the corporation business tax credit and applicable to income years beginning on or after January 1, 2012; and (4) October 1, 2011 for the sales tax exemption and applicable to sales beginning on or after that date.

PROPERTY TAX EXEMPTIONS

The bill allows BADZ towns to fix the property tax assessments for projects in the zone. It does so by adapting the provisions of a law allowing municipalities to fix assessments for specific types of development projects located anywhere in a municipality (CGS § 12-65b). When a municipality fixes the assessment under this law, it exempts some or all of the increase in a property's value from taxation and consequently reduces its tax bill. The state does not reimburse the municipality for the tax revenue it forgoes. The municipality cannot offer this tax incentive without its legislative body's approval.

In adapting this law for BADZ, the bill requires the state to reimburse the BADZ towns for 40% of the revenue they forgo when they fix the assessment for eligible BAZD projects. BADZ towns that choose to fix the assessment must do so under the same terms and conditions for exemptions under CGS § 12-65b. These include executing an agreement with the property owner that specifies the exemption's period. The bill requires the municipality to submit the agreement to the Department of Economic and Community Development (DECD) commissioner for approval.

As Table 1 shows, the maximum time period for fixing the assessment depends on a project's development cost. The periods and values are the same as those under CGS § 12-65b. The table also shows the range of eligible projects, which are mostly similar to those eligible under CGS § 12-65b.

Table 1: Schedule for Fixing Assessments in BADZ

<table>
<tr><th>Minimum Project Cost</th><th>Exemption Amount</th><th>Exemption Period</th><th>Eligible Projects</th></tr>
<tr><td>$3 million</td><td>100%</td><td>Up to seven years</td><td rowspan="3">• Office
• Manufacturing
• Warehouse, storage, and distribution
• Information technology
• Reaction facilities
• Transportation facilities
• Improvements for businesses in</td></tr>
<tr><td>$500,000</td><td>100%</td><td>Up to two years</td></tr>
<tr><td>$25,000</td><td>Up to 50%</td><td>Up to three years</td></tr>
</table>

			a DECD-designated industry cluster

The bill limits each BADZ town's authority to fix the assessments to 10 years from when it approved the first exemption.

The bill requires the state to reimburse the BADZ towns when they fix an assessment and specifies how the state must process the reimbursements. The process is similar to the one for processing reimbursements under the enterprise zone program.

Under the bill, each BADZ town must notify the Office of Policy and Management (OPM) secretary and the DECD commissioner each time its legislative body approves fixing an assessment. If the commissioner approves this action, the town must file a claim with the secretary specifying the business' location and North American Industrial Classification System code, the reimbursement amount, the term for fixing the assessment, and any other information the secretary and the commissioner require. The DECD commissioner may provide a copy of this information to the revenue services commissioner upon request.

The claim must be filed and processed according to the same schedule and procedure for filing similar claims under the enterprise zone program. Generally, a town must file its claim with the OPM secretary by August 1 annually on forms he prescribes. Municipalities that fail to file their claims must forfeit $250 to the state, but may ask the secretary to waive the penalty according to procedures and standards he adopts in regulations.

The secretary must review the claim the same way he reviews those for other state-reimbursed property tax abatements. He must certify the amount claimed to the comptroller by December 15. The comptroller must order payment within five business days of that deadline and the treasurer must make the payment by December 31. The bill authorizes the state to reduce the reimbursement if the total reimbursement for all towns exceeds the appropriated amount.

CORPORATION BUSINESS TAX CREDIT

Creating Jobs

The bill authorizes 10-year corporation business tax credits for any business operating in the BADZ zone that creates new jobs. A business qualifies for the credit if it hires new full-time employees who work in the zone. The credit equals (1) 30%, if the business hires between 25 and 149 new employees to work at the property or (2) 50%, if it hires at least 150 new employees to work there.

The bill specifies how businesses must calculate the number of new regular full-time employees that count toward the credit. It defines "new employee" and specifies how the business must calculate the maximum amount of credit it can claim. In doing so, it appears to prevent businesses from claiming credits by laying off and rehiring the same employees to fill new positions.

Under the bill, a new employee is someone the business hires to fill a new, full-time job in its BADZ facility. The job must be one that did not exist before the business applied for the credit. Alternatively, a "new employee" can be an existing employee who works for the business outside Connecticut and is subsequently shifted to a new full-time job in the BADZ.

The steps for calculating the maximum credit requires the business to compare its total workforce when it applies for the credit and its total workforce one year before it did so. Specifically, the business must subtract:

1. the total number of its Connecticut employees when it applies for the credit plus the total number of new employees, including current employees who worked outside Connecticut and were reassigned to new jobs in the BADZ from

2. the business' largest number of Connecticut employees in the year before the business applied for the credit.

The difference between these amounts is the increase in the business' total employees. Under the bill, it becomes the maximum number of employees the business can count toward the credit.

Applying for Credits

The business must apply to the revenue services commissioner for an eligibility certificate before it can claim the credit. In doing so, it must estimate the state and local tax revenue the project will generate.

Claiming the Credits

The business must claim the credit on its tax return for its income year that begins during the calendar year one year after receiving the eligibility certificate. It must stop claiming the credit at any time during the 10-year period when it no longer meets the new jobs target. It cannot pro rate the credit for the months during the calendar year when it met the target.

SALES TAX EXEMPTION FOR MACHINERY REPLACEMENT PARTS

Current law exempts all businesses in the enterprise zones from paying the sales tax on machinery replacement parts. The bill extends this exemption to all businesses located in the BADZ zone.

BACKGROUND

Related Bill

SB 326, which the Commerce Committee reported on March 18, amends the law upon which the BADZ property tax exemption was modeled. It allows municipalities to fix the assessment on large-scale projects for up to 14 years if the project's total value exceeds $30 million.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute
Yea 19 Nay 1 (03/16/2010)