# Senate

General Assembly **File No. 600**

*February Session, 2010* Substitute Senate Bill No. 432

*Senate, April 20, 2010*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## *AN ACT CONCERNING A REVIEW OF TAX CREDITS.*

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

Section 1. (NEW) (*Effective July 1, 2010*) (a) Notwithstanding the provisions of subsection (b) of section 32-1m of the general statutes, on or before January 1, 2011, and every three years thereafter, the Commissioner of Economic and Community Development, in consultation with the Commissioner of Revenue Services, shall prepare a report with regard to any tax credit or abatement program enacted for the purpose of recruitment or retention of businesses. The report shall include, but need not be limited to:

(1) A baseline assessment of the tax credit and abatement programs enacted to encourage business growth in the state, including the number of aggregate jobs associated with taxpayers eligible for such tax credits or abatements and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through their support of the state's economy through

employment and other activities;

(2) A listing, by program, of the amount of tax credits and abatements approved by the state during the preceding calendar year;

(3) A summary and evaluation of all tax credit programs administered by the Department of Economic and Community Development. Such summary and evaluation shall include, but need not be limited to, for each tax credit program: (A) An assessment of the intended statutory and programmatic goals of the tax credit; (B) the number of taxpayers granted tax credits under the program during the previous twelve-month period; (C) the value of the tax credits granted, listed by the North American Industrial Classification System code associated with the taxpayers receiving such credits; (D) the value of the tax credits actually claimed and the value of the tax credits carried forward, listed by the North American Industrial Classification System code associated with the taxpayers claiming or carrying forward the credits; (E) an assessment and five-year projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax credit program; (F) an analysis of the economic impact of the tax credit program and whether the statutory and programmatic goals are being met, with obstacles to such goals identified, if possible; (G) the type and value of tax credits assigned and a summary by North American Industrial Classification System codes of taxpayers to which such credits are assigned; (H) a cost-benefit analysis of the revenue foregone by allowing a tax credit, as compared to the economic impact of such credit; (I) the cost to the state to administer the tax credit program, and a comparison between such cost and the net revenue generated to the state by each such program; (J) the average and aggregate administrative and compliance cost, to taxpayers, to comply with the requirements of the tax credit program; and (K) a recommendation as to whether the tax credit program should be continued, modified or repealed, the basis for such recommendation and the expected impact of such recommendation on the state's economy;

(4) (A) An assessment of the fairness, performance, burden, tax incidence and economic impact of the state's corporation business tax and taxes on domestic and foreign insurance companies pursuant to chapter 207 of the general statutes; (B) the cost to the state to administer the state's corporation business tax and taxes on domestic and foreign insurance companies pursuant to chapter 207 of the general statutes, and a comparison between such costs and the net revenue generated to the state by such taxes, and (C) the average and aggregate administrative and compliance costs to taxpayers associated with such taxes; and

(5) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1), (3) and (4) of this subsection.

(b) The Commissioner of Economic and Community Development shall submit the reports required pursuant to this section, in accordance with section 11-4a of the general statutes, to the Governor, the Secretary of the Office of Policy and Management, and to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations, finance and commerce.

| This act shall take effect as follows and shall amend the following sections: | | |
|---|---|---|
| Section 1 | *July 1, 2010* | New section |

***FIN*** *Joint Favorable Subst.*

## OFA Fiscal Note

***State Impact:*** None

***Municipal Impact:*** None

### Explanation

The bill, which requires the Department of Economic and Community Development to prepare a report on certain tax credit and abatement programs, results in no fiscal impact.

### The Out Years

***State Impact:*** None

***Municipal Impact:*** None

## OLR Bill Analysis
## sSB 432

### *AN ACT CONCERNING A REVIEW OF TAX CREDITS.*

### SUMMARY:

The bill requires the Economic and Community Development (DECD) commissioner, in consultation with the revenue services commissioner, to evaluate and report every three years on tax credit and abatement programs enacted to recruit and retain businesses. The commissioner must submit the reports to the governor; the Office of Policy and Management secretary; and the Appropriations, Commerce, and Finance, Revenue and Bonding committees starting by January 1, 2011. The reports are in addition to DECD's regular required annual reports.

EFFECTIVE DATE: July 1, 2010

### REQUIRED REPORT INFORMATION

The bill requires DECD to include at least the following information in its report:

1. a baseline assessment of each tax credit or abatement program it administers, including the aggregate number of jobs associated with eligible taxpayers and the aggregate annual revenue these taxpayers generate through direct taxes on them and indirectly through their employees and their contribution to the state's economy;

2. a listing, by program, of the tax credits or abatements the state approved during the preceding calendar year;

3. an assessment of the fairness, performance, burden, economic impact, and incidence of the corporation business and insurance

company taxes;

4. the cost to the state and to businesses of administering and complying with the corporation and insurance premium taxes and their credits; and

5. the methodology and assumptions used.

The DECD must also include a summary and evaluation of each tax credit or abatement program it administers. The summary and evaluation of each program must include:

1. an assessment of its intended goals;

2. the number of taxpayers granted the credit in the previous 12 months and their value by North American Industrial Classification System (NAICS) code;

3. the value of the credits claimed and carried forward, by NAICS code;

4. an assessment and five-year projection of the potential effect of any allowable credit carry forwards on the state's revenue;

5. an analysis of (a) the credit's economic impact, (b) its statutory and programmatic goals and whether the goals are being met, and (c) if possible, an identification of obstacles to the meeting goals;

6. the types and value of credits assigned, with a summary of the NAICS code of those to which they are assigned;

7. an cost-benefit analysis of the revenue foregone compared to the economic activity the credit creates;

8. the average aggregate administrative and compliance cost to the state and to businesses; and

9. a recommendation whether the program should be continued,

modified, or repealed, along with the basis and expected economic impact of the recommendation.

## COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 55 Nay 0 (04/05/2010)