# State of Connecticut

## HOUSE OF REPRESENTATIVES

STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

**REPRESENTATIVE HENRY J. GENGA**
TENTH ASSEMBLY DISTRICT

LEGISLATIVE OFFICE BUILDING
ROOM 4065
HARTFORD, CT 06106-1591
HOME: (860) 569-8008
CAPITOL: (860) 240-8585
TOLL FREE: (800) 842-8267
FAX: (860) 240-0067
E-mail: Henry.Genga@cga.ct.gov

**ASSISTANT MAJORITY LEADER**

**MEMBER**
EDUCATION COMMITTEE
APPROPRIATIONS COMMITTEE
ENERGY AND TECHNOLOGY COMMITTEE

Chairman Staples, Chairwoman Dailey and distinguished members of the Finance, Revenue, and Bonding Committee:

Thank you for the opportunity to address you with proposed legislation, H. B. 5528.

I am here today supporting legislation, H. B. 5528, which my colleagues and I worked on, that will provide thousands of jobs for Connecticut's unemployed. This is a jobs bill that will help our largest employers and will pay for itself. This bill is to maintain the investors we have, and bring more investors to Connecticut. This proposal is for commercial and/or residential projects in an enterprise zone that is newly built or that undergoes a major renovation. In order to qualify the project must meet the prevailing wage laws. Unlike the existing tax credit programs, such as the urban and industrial site reinvestment program (CGS 32-9t) this proposal does not require that a developer make a minimum investment. Nor is the project required to cover the value of the transferred credits by the generating other revenue, as is required under CGS 32-9t for project eligibility. This proposal does require the DECD commissioner to issue a certification of eligibility. To be eligible the development company must comply with the R&D tax credits laws under CGS 12-217j and/or 12-217n. Each qualified project must have a separate certificate, and may only receive one eligibility certificate.

Connecticut is at a troubling point. We face a future of increased taxes, fewer taxpayers and no growth. The recovery of our state requires policy choices applied with enough flexibility to operate quickly and effectively, avoiding the entanglements, delays, and frustrations of red tape. A very important component of state economic development policy has been awarding tax credits for investment (ITCs) in research and development. This was sound public policy for a host of reasons, but not as sound as it seemed. The state encumbered the ITCs so severely that it is now virtually impossible for larger firms to use them to any meaningful degree. Connecticut's largest employers have accumulated hundreds of millions of dollars of unused R&D ITCs. Unusable ITCs are essentially worthless, seriously undercutting the value of related development policies; denying the right of companies to use credits that they have earned in good faith directly undermines the state's long-term economic health. This legislation is a better incentive for large companies to invest in Connecticut.

H. B. 5528 permits the utilization of the R&D ITCs, quickly generating substantial new employment and broad business activity that in turn will generate new tax revenue that fully off- sets the ITCs and stabilizes and sustains employment of the future. With this legislation CT would pay out one billion dollars on outstanding R&D ITCs in exchange for a one billion dollar upfront investment in plant and qualified equipment and machinery. Current holders of CT R&D ITC s, investing individually or collectively, must make these qualifying investments before December 31, 2012. State payment on the R&D ITCs will begin 2013 when, under iron clad agreements between each investor and the state, five annual payments of $200 million will be exchanged for the R&D ITCs on the qualified investments made from 2010 to end 2012 deadline. As a result of the new economic activity these investments generate, significant additional new tax revenues accrue to the state; these are revenues the government would not receive without these investments. Thus adopting this policy creates no burden on Connecticut taxpayers while the companies are finally able to access the currently unusable R&D ITCs while they accumulated in good faith.

An analyst of this bill and its economic impact on Connecticut has been authored by Fred Carstensen, Director of the Connecticut Center for Economic Analysis at the University of Connecticut. The report will provide detail for my conclusions. Mr. Carstensen will provide testimony on this bill and answer your questions.

Thank you for your consideration of this innovative legislation.